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The World Bank: the hobbled giant at a crossroads, Page 12

NEWS SUMMARY

GENERAL

Hart will 'fight to finish' for selection

Senator Gary Hart of Colorado refused to concede defeat in his bid for this year's U.S. Democratic presidential nomination, and promised to fight on at the party convention in San Francisco, due to open last night.

Hart said he still expected to win the nomination. He would not exploit indecision demonstrated by Mr Walter Mondale at the weekend over reorganisation of the party leadership.

Mondale has well over the paper majority of 1,967 "pledged" delegates needed for victory in Wednesday night's roll-call ballot. **Page 14**

Egyptian reshuffle

Egypt's Acting Prime Minister Kamal Hassan Ali announced that he would tender his Cabinet's resignation to President Hosni Mubarak, initiating a reshuffle of key Cabinet posts. Officials said a new Cabinet would be sworn in tomorrow. **Page 3**

S. African riot

South African police used tear gas to disperse black rioters who set up makeshift roadblocks in Tumahole, a township south of Johannesburg.

Stronger economy

Western Europe's economy is making a recovery that will last for at least 18 months, a symposium of experts sponsored by Time magazine reported.

New government

Luxembourg's Social Christian and Socialist Parties agreed to form a new Government under outgoing Social Christian Finance Minister Jacques Santer, to replace the Grand Duchy's ruling centre-right coalition. **Page 2**

Israeli strikes

Israeli newspapers failed to appear and workers at the country's largest banks reduced services as pre-election labour unrest continued.

Flights halted

Iberia Airlines cancelled 55 domestic and 18 European flights as striking pilots sought to win international support for their month-old strike in pursuit of more jobs and a shorter working week.

Lufthansa deal

A last-minute agreement between Lufthansa and its employees averted a strike that would have caused havoc at West German airports during the peak of the holiday season.

Offices bombed

Four bombs planted by suspected Catalan separatists exploded at government offices in Barcelona, Tarragona and Torrente, near Valencia. No one was hurt.

Crews sued

Tanzania is to sue the crew of two foreign-registered ships for throwing Tanzanian stowaways into the shark-infested Indian Ocean this year. Six survivors from both ships returned to Dar-es-Salaam in May.

Ancient computer

Peasants in Inner Mongolia have found a 3,000-year-old Chinese computing system that uses 20 thin sticks of ivory – probably the oldest calculating instrument in the world – the Peking Review said.

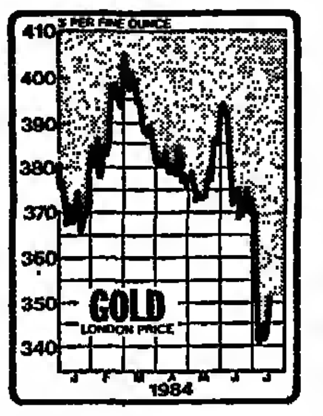
BUSINESS

BAe ends talks on takeover by GEC

BRITISH Aerospace abruptly terminated talks about a possible offer by GEC for the aircraft and weapons group. BAe also estimated pre-tax profits 50 per cent ahead at £55m ($73m) for the half-year to June. **Lex, Page 14**

DOLLAR weakened in London to DM 2.8255 (DM 2.8305), FFr 8.645 (FFr 8.705), SwFr 2.384 (SwFr 2.399) and Y240.55 (Y241.5). Its trade-weighted index on Bank of England figures fell to 135.7 from 136.1. In New York it closed at DM2.8315, FFr 8.6850, SwFr 2.3920 and Y241.15. **Page 37**

STERLING improved in London to $1.326 ($1.3235) and FFr 11.49 (FFr 11.4875). It declined, however, to DM 3.74 (DM 3.75), SwFr 3.18 (SwFr 3.18) and Y318.75 (Y319.5). Its trade-weighted index was unchanged at 78.2. In New York it closed at $1.3250. **Page 37**



GOLD rose $6.75 on the London bullion market to $351.50. It was also higher in Zurich at $350.75 and closed in Frankfurt at $350.25. In New York, the July Comex settlement was $348.50. **Page 36**

WALL STREET: The Dow Jones industrial average closed 8.96 up at 1,118.83. **Section III**

TOKYO stocks found scattered support. The Nikkei-Dow market average added 23.48 to 10,177.58. **Section III**

LONDON equities halted a downward drift, with the FT Industrial Ordinary index rising 4.3 to 775. Gilts improved too. **Section III**

SWEDISH industrial output rose to a record level in May. **Page 14**

HONG KONG'S Kowloon-Canton Railway Corporation decided in principle to build a 34km light railway system in the colony's western New Territories at a cost of about HK$2bn (U.S.$257m). **Page 4**

BEN and Co, Singapore food trading and processing concern, agreed takeover terms with QAF Holdings, Brunei company backed by the sultanate's royal family, giving it a listing on the Singapore stock exchange. **Pagr 16**

VORAL, Australian building products group, bid A$55m for full control of Oil Company of Australia, which is on the verge of an A$100m gas development. **Page 16**

JAGUAR CARS, part of the UK state-owned BL group, is likely to be floated on the London Stock Exchange this month with an offer price giving it a market capitalisation of up to £360m ($475.2m), brokers James Capel report. **Page 10**

CROCKER National Corporation's board meets in San Francisco today to consider Midland Bank's $207m bid for the 43 per cent minority stake in the California bank. **Page 15**

TIME, the largest U.S. magazine group, achieved a 12.5 per cent increase in second-quarter profits, which rose to $60.1m from $53.4m on a comparable basis. **Page 15**

Washington may freeze nuclear pact with China

BY SIMON HENDERSON AND ALAIN CASS IN LONDON

THE much heralded nuclear co-operation agreement between the U.S. and China now seems certain to be *frozen until at least after the* U.S. Presidential elections in November because of growing fears that Peking has supplied Pakistan with help towards nuclear weapons development.

Officials in Washington concede that it is that factor, and not opposition from Congress, which lies at the heart of the Reagan Administration's reluctance to put the agreement into effect.

The nuclear deal was the centrepiece of President Ronald Reagan's visit to China this year. Administration officials said at the time that it might result in orders worth $20bn for Western companies manufacturing nuclear reactors and allied equipment.

Administration officials said in Washington that they were particularly concerned about the presence at a secret Pakistani nuclear facility of Chinese scientists. The U.S. believes that China is trading its experience as a nuclear weapons state against advanced technical know-how illicitly acquired by Pakistan in recent years.

The presence of Chinese officials at the Kahuta uranium enrichment plant near Islamabad is being monitored closely. It is at that plant that, Western intelligence officials believe, the plans from the Urenco plant in the Netherlands stolen by a Pakistani nuclear scientist 10 years ago are being implemented.

In return, some Western officials claim, China has supplied Pakistan with the design of its fourth atomic bomb, exploded in the mid-1960s.

Other reports indicate that China more recently handed over to Pakistan a quantity of highly enriched uranium suitable for use as a nuclear explosive in a few weapons.

U.S. officials have cast doubt on the report, however, saying that China would have much to lose, chiefly U.S. nuclear and other advanced technological assistance, if it indulged in such a blatant act of nuclear proliferation.

What seems certain is that China regards its nuclear co-operation with Pakistan as being of sufficient importance to put at risk at least some elements of its growing relationship with the U.S.

Peking has been unwilling to give a written pledge on non-proliferation. The U.S. has had to rely on words used by Zhao Ziyang, the Chinese Premier, during an after-dinner toast on his visit to Washington in January. China has not signed the Nuclear Non-Proliferation Treaty (NPT). It has, however, recently joined the International Atomic Energy Agency, the United Nations watchdog on nuclear issues.

Pakistan's continued nuclear weapons programme puts at risk the $3.2bn U.S. military and economic aid package, the main component of which is 40 F-16 fighter-bombers.

China's bureaucrats oppose peasant enterprise, Page 3

Export curbs apply to UK telecom gear

BY DAVID BUCHAN IN LONDON

BRITAIN has dropped its bid to sell Bulgaria its System X telephone exchange after last week's agreement by the Western allies in the Paris-based Co-ordinating Committee (CoCom) to embargo for the next four years sales of sophisticated telecommunications switching gear to the Soviet bloc.

That is one of a series of compromises by which the U.S. and its European and Japanese allies have bridged their chief differences over how to deny the Warsaw Pact Western technology of military significance. Last week's complex "horse trade" on the three related areas of computer hardware, software and telecommunications virtually concludes CoCom's two-year-long updating of its embargo lists.

It is still theoretically open to the UK to seek a "general exception," requiring the unanimous approval of all its 14 partners in CoCom, for a System X sale to Bulgaria. But a senior U.S. Defence Department official said yesterday that Washington would veto it, on the ground that "stored programme control switching systems" would enhance military command and control in the East.

A UK Department of Trade official said yesterday that Britain had fought less hard against the new U.S.-inspired telecommunications controls than, say, France, because its industry was more dependent on U.S. technology than the French. But the UK had acceded only on the understanding that all CoCom country bids were treated equally.

London now expects NEC Corporation of Japan, a main rival of GEC and Plessey of the UK, which have developed System X, to drop out of the bidding in Bulgaria, because Japan is also a CoCom member.

Should, however, a company from a non-CoCom country, such as L. M. Ericsson of Sweden, seriously bid for the Bulgarian contract, Britain would reconsider its position and perhaps submit an embargo "exception" request to CoCom, the British trade official warned.

The new CoCom export curbs on telecommunications switching gear are to be eased in 1988, because of the perception that Warsaw Pact countries will by then have advanced their indigenous development in that area. The same CoCom rules apply to China theoretically, but the U.S. has recently led the way to permitting a much highe level of embargo exceptions for sales to China than to the Warsaw Pact.

The other big innovation in the new CoCom controls, which will be published in substance by the 15 CoCom member governments in new national legislation this year, is curbs for the first time on computer software.

The CoCom embargo will now cover software used in the manufacture of any items on the CoCom control lists, in analysis of photography or nuclear and chemical warfare, or in the programming of Soviet bloc computers (with limited exceptions for business purposes such as payroll and inventory). However, sale of software for "Western look-alikes," such as the Soviet Ryad series, closely modelled on IBM models, will be permitted.

The new CoCom focus on software reflects its increasing military importance. But even though "any software sold over the counter will be free of the embargo," the new controls on more sophisticated computer programs will will pose "acute enforcement problems, and we re-

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Consumer credit fuels U.S. growth

By Stewart Fleming in Washington

CONSUMER CREDIT expanded by a record $10.23bn in June, the Federal Reserve Board reported yesterday. The figure confirms other indications that consumers are still underpinning the growth in the U.S. economy.

The Fed also reported that capacity utilisation in factories, mines and utilities rose only a modest 0.2 percentage points in June from 81.5 per cent to 81.7 per cent.

The Commerce Department, in a separate report for May, said that although U.S. companies had made considerable efforts to rebuild inventories during the month, business stocks grew by 0.9 per cent, failing to keep pace with demand for their output.

Sales increased by 1.6 per cent and the ratios of inventories to sales dropped from 1.33 months' supply to 1.32 months' supply.

The data supports the evidence of the Commerce Department's "flash" estimate for second-quarter real gross national product, which pointed to continued strong expansion at an annual rate of 5.7 per cent.

Together, the latest figures also tend to suggest that there will be continued heavy demand for bank funds.

Mr Robert Ortner, the Commerce Department's chief economist, said yesterday that the data would tend to lead the Federal Reserve Board to tighten its credit policy were it not for other factors, in particular the difficulties higher U.S. interest rates would create for heavily indebted countries.

The Fed's monetary policymaking Open Market Committee was meeting yesterday to chart the central banks' policy

Although many economists suggest that the Fed will not tighten its credit policy, some maintain that a rise in the discount rate cannot be ruled out.

New loan rules cut profits at Chase, Morgan

BY PAUL TAYLOR IN NEW YORK

CHASE MANHATTAN and J. P. Morgan yesterday reported lower second-quarter earnings blaming, in part, a more conservative approach to accounting for public sector loans to Argentina.

The two New York money centre banks join Manufacturers Hanover Trust which last week reported an 8.5 per cent fall in second-quarter net income because it placed additional Argentine loans on a non-accrual basis in line with tougher federal bank regulatory guidelines which become mandatory in the third quarter.

Chase Manhattan, the third largest U.S. banking group in terms of year-end assets, reported a 14.3 per cent decline in second-quarter net earnings to $90m or $2.21 a share, compared with $1.5m or $2.68 a share in the same period last year which included a $11m after-tax gain from a settlement with Iran.

Chase said it had net earnings of $193m or $4.78 a share for the first half compared to $2.11m or $5.42 a share in the 1983 first half.

Chase said net interest income actually increased during the quarter despite the adverse impact of about $13m after taxes of non-accrual loans to borrowers in Argentina. The banking group also reported that most fee-based income categories showed increases.

J.P. Morgan, the fifth largest U.S. banking group in terms of end-year assets, reported a 9.8 per cent drop in second-quarter net income to $103.7m or $2.32 a share, compared with $115m or $2.59 a share in the corresponding period last year. However first half earnings increased by 7.3 per cent to $249.7m or $5.64 a share compared with $232.8m or $5.35 a share in the 1983 period.

Morgan blamed the second-quarter decline on lower net interest earnings resulting mainly from the placing of additional Argentine public-sector loans on non-accrual status, and losses from foreign exchange trading. These negative factors were partially offset by lower provisions for credit losses and income taxes.

It had decided in the latest quarter to adopt the clarification of policy on non-accrual loans announced last month by bank regulatory agencies.

Had the adoption of this new policy been deferred until the third quarter, when it becomes obligatory, the bank said non-accrual loans, which totalled $875m at midyear net of chargeoffs, would have been lower by about $216m and second-quarter earnings would have been higher by about $12.4m before tax and about $6.9m after tax.

Morgan's net interest income in the latest period fell by 7.5 per cent to $359.5m from $388.8m a year ago. Non-interest operating income fell to $123.6m from $137.8m with foreign exchange trading resulting in a $12.9m loss in the latest period compared with gains of $24.1m in the 1983 second quarter.

The banking group said the provision for possible credit losses in the quarter was $45m compared with $90m in the 1983 quarter. Net chargeoffs totalled $12.1m compared with $30.8m a year ago and the resulting allowance for possible

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World Bank at the crossroads, Page 12; Crocker under pressure, Page 15

Talks open in fresh bid to end Britain's dock strike

By Our London Staff

TALKS began last night in a fresh attempt to end the week-old dock strike in Britain which has paralysed almost all freight movement by sea.

Leaders to the National Association of Port Employers held discussions described as "exploratory" in London with the Government's independent Advisory, Conciliation and Arbitration Service (Acas). Officials of the Transport and General Workers' Union (TGWU), which called the strike, will hold separate talks with Acas officials today.

Dockers at Dover and Belfast harbours joined the blockade of freight yesterday. All the 78 ports which come under the registered dock labour scheme and the main other ports are now halted, although passengers and their cars are not being stopped.

The dispute began over the use of non-registered dockers to unload iron ore at the east coast port of Immingham after registered dockers had refused to handle it in support of the miners' strike.

Mr Nicholas Ridley, the Transport Secretary, told the House of Commons yesterday that the Government had no plans to change or abolish the dock labour scheme. But he would not give a commitment that it would not be changed "within the life of the present parliament."

The Cabinet met for 1½ hours yesterday to review the dock and coal strikes but it is understood not to have discussed either the declaration of a state of emergency or the use of troops.

The Government appeared anxious to stress that it would not be rushed into the sort of precipitate action which, it was implied, helped to lead to the fall of the Conservative Government under Mr Edward Heath in the miners' strike of 1974.

The present Government's labour difficulties were yesterday heightened, however, by a High Court ruling that its ban on union membership at its secret communications centre (GCHQ) at Cheltenham, west England, was "invalid and of no effect."

Mr Justice Glidewell declared that the Government's decision to impose the ban without prior consultation with the staff was a breach of the rules of natural justice – of "fair play in action."

Union leaders last night saw the ruling as a rebuke to Mrs Margaret Thatcher, the Prime Minister, and to her uncompromising leadership

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Hong Kong railway breaks into U.S. commercial paper market

BY DAVID DODWELL IN HONG KONG

HONG KONG'S Mass Transit Railway Corporation (MTRC) plans to announce on Thursday a $100m commercial paper issue in the New York market. It will be the first arranged by any Hong Kong company in the U.S.

The issue will be arranged by Barclays Bank, with eight other banks acting as guarantors for the letter of credit. Manufacturers Hanover will act as depository in the U.S., while the dealer co-ordinating the issue will be Goldman Sachs.

The MTRC is Hong Kong's most heavily indebted company. Its current borrowings stand at about HK$14bn ($1.8bn), but are expected to peak in 1986 about HK$25bn when the Island Line, its third underground route, covering the northern seaboard of Hong Kong island, is finished.

In 1983 alone it raised 23 loans, worth a total of HK$8bn. Since then it has raised a HK$1bn loan syndication through Manufacturers Hanover, with an option to double that to HK$2bn and has had a HK$300m loan from the Bank of China.

A banker said that in the buoyant commercial paper market, the MTRC could expect the paper to cost significantly less than a syndicated Eurocredit, even after fees paid to the arranging banks.

Another advantage is that participating banks have given assurances that if for any reason the U.S. market becomes less attractive over the three-year period for which the facility remains available, the MTRC can issue the paper in Hong Kong, where it will be directly underwritten.

The other participating banks are Hong Kong and Shanghai Banking Corporation, Bank of China, Standard Chartered Bank, Bank of Tokyo, Bankers' Trust, Banque Nationale de Paris, Mitsui Bank and Sanwa Bank.

Just as the MTRC is making arrangements for U.S. dollar-denominated fund raising, it has emerged in Hong Kong that another big borrower, Kowloon Electric Supply Company (Kesco), is trying to convert U.S. dollar borrowings into Hong Kong dollar debt.

Bankers involved in the planned swap, which may be equivalent to about HK$1.2bn, said Kesco was making the move to protect itself against any further fall in the value of the Hong Kong dollar.

● After two weeks of unremitting pressure against Hong Kong's stock market, share prices in the territory rallied strongly yesterday as stock market operators reported short covering and little genuine buying interest. The colony's Hang Seng Index improved by 45.14 points to 791.16.

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Communist group calls for amnesty in Poland

By Christopher Bobinski in Warsaw

THE POLISH Movement for National Rebirth (PRON) a Communist front organisation has called for a broad amnesty for political prisoners.

It is the first public signal of government thinking on the amnesty which is expected to be passed by Parliament next Saturday on the eve of the country's national day and the 40th anniversary of the founding of post-war Communist Poland.

The authorities admit officially to 600 political prisoners, 61 of whom, many of them prominent Solidarity leaders, have already been sentenced. But decisions on who exactly will be freed are expected today.

The crucial issue is whether the amnesty will include the four leaders of the KOR dissident movement who went on trial last Friday. The Communist Party politburo was unable to resolve the isue last week and is expected to discuss it again today.

Some politburo members, quoting the views of other East European party officials, have apparently been arguing against releasing the four KOR dissidents, Mr Jacek Kuron, Mr Adam Michnik, Mr Zbigniew Romaszowski and Mr Henryk Wujec.

The Catholic church has countered with the view that the effect of the amnesty domestically and on Western public opinion will be lost if the four leaders are not included.

A Warsaw court, meanwhile, has passed sentence in the case of Mr Grzegorz Przemyk, an 18-year-old schoolboy who died of internal injuries after allegedly being beaten in a police station in May last year.

The court acquitted two policemen on the grounds of a lack of firm evidence, but sentenced two ambulancemen to prison terms of 2½ and 2 years for maltreating the boy on the way to the first aid station.

During the six-week-long trial the three judges found themselves wedged between an over whelming public conviction that Mr Przemyk has been severely beaten at the police station, and the security apparatus deter mined to defend its own.

The thrust of the police case was that the ambulancemen had been directly responsible for the death. The court dismissed this argument in its verdict, but con victed the ambulancemen on the less serious maltreatment charge. They could well benefit under the proposed amnesty, however.

At the same time, in a telling omission the court failed to address the question of how Mr Przemqk suffered his considerable internal injuries. The question has been left to appeal court should the case be referred to one.

Diana Smith reports from Lisbon on a movement favouring a de Gaulle-type role for Portugal's President

Eager Eanes adherents seek an end to turbulent politics

ACRONYMS CAN spread through Portuguese politics like weeds. They became useful shorthand after the appearance of 50 parties in 1974, when nearly half a century of repressive one party rule was ended by young officers weary of colonial wars.

Few new groups survived long after the coup. Eight parties sit in parliament today. Two — UEDS and Asdi — are splinters of the two main parties, the PS (Socialists) and the PSD (formerly PPD — the Social Democrats). The dissidents have attracted fewer followers than hoped for, a common fate of Portuguese splinter parties.

As July approached and most Portuguese began to dream of beaches and campsites rather than politics, yet another acronym was added to the crowded political vocabulary — Nova Cnarpe.

But the 120 founders of Nova Cnarpe (Nova Commissao Nacional para a re-eleicao do Presidente Eanes — New National Commission for the re-election of President Eanes) is not an entirely new group of dissidents. Many were members of "1980 Cnarpe" which, as its name suggests, was organised to get President Eanes re-elected.

Strictly speaking the name is a misnomer. President Antonio Ramalho Eanes, whose second term expires at the end of 1985, is barred constitutionally from seeking a third term. A group calling itself his new re-election committee therefore wears the wrong label.

President Eanes has not given the nod to anyone, whatever the acronym, to use him as a figurehead.

But, President Eanes is not yet 50. He has made it very clear that, after eight years as a conscientious head of state, he does not intend to drop out of *politics when his mandate ex*pires. He commanded the military who hauled Portugal back from the brink of ultra left wing chaos in late 1975. This won him the nation's regard, two terms in office and a taste of affairs of state.

However, it is extremely unclear what role General Eanes sees for himself in the future. Does he want to be the grey eminence or sponsor a *partly he would* not visibly head? Or does he want to play the de facto leader of a new political group, possibly running for prime minister in some future legislative elections?

Never known for overt statements of intent, President Eanes is playing his cards closer than ever to his chest.

The general is said to be worried that the premature birth of a group eliciting pro-Eanes grassroots support could be counter-productive and to have striven to discourage supporters from rushing their—and his—fences.

But some supporters see the movement as a variant of Gaullism, cutting across party lines and muffling today's parties. They maintain that grassroots "Eanism" is the only solution to endemic instability and that the time is ripe to offer the public a new option.

They argue that established parties, after nine years of parliamentary democracy with a strong tinge of presidentialism, are unable to promote the wellbeing of the people, because alliances keep breaking up. They insist the nation is ready for a new political force based on—to quote Cnarpe slogans—"renewal of confidence and organisation of hope." They want less parliamentarism and more presidentialism.

The urge to forge a unitarian force claiming to speak for the people is not new to Portugal. Memories are fresh of the 1930-1974 one-party state. In the name of political harmony, some officers, who made the 1974 coup to nip nascent parties in the tried to coax voters to let the Armed Forces Movement into power by casting blank ballots in the April 1975 constituent assembly elections.

An irate population blocked this bid to deprive it of its first chance in 50 years freely to vote for several parties. Only a tiny fraction of blank ballots were cast.

But, this said there is in 1984 widespread dissatisfaction with parties and leaders. In part this *stems from economic worries*, but squabbles and at times the inertia of political groups have bred bad feeling especially outside Lisbon.

Many country people and those in small towns resent the spectacle of Lisbon-based politicians, most of whom are middle class lawyers, rattling sabres at each other while the country awaits solutions to real problems.

"Eanists" hope to tap this stream. They hope for a rift in the ruling Socialist-Social Democrat *coalition that would* exhaust the last viable permutation of established parties and open the way for a populist, heterogeneous movement marching behind the banner of political cleanliness and unity.

Their hopes though, discount the iron resolve of men like Sr Mario Soares, the Prime Minister and Socialist Party leader to prevent such a development. His dislike for extra political party movements is, moreover, shared by politicians of other parties.

None would surrender competitive, albeit sometime contentious multi-party democracy, without a bitter fight.

Their resolve is reinforced by the green light for Portugal to join the EEC by 1986, thus weakening the chances of experiments with Third World alliances favoured by some anti-political party enthusiasts.

Sr Soares, who spent much of his life fighting for pluralist democracy in old Portugal, and who was the first to shift his country towards the EEC in 1977, argues that the need is for politicians to improve their performance, not for the system to be altered.

Cnarpe 84, condemning Lisbon politicians and calling for presidentialism (which would require a constitutional review) and the "salvation of democracy," will have to explain clearly where it is heading and with whom, before it *gets wide support. The elec*torate has shown before that, however much people may carp about their politicians, they are not easily persuaded to seek their eclipse.

Many Portuguese believe that Cnarpe-1984 version could suffer the fate of a 1983 bid to launch a similar grass roots movement.

That movement, joined by several associates of General Eanes (but not with his participation) called itself Movimento do Aperfeicoamento Democratico, acronhym MaD. It has renamed itself Movimento da Unidade Democratico — Mud. Acronyms in translation can be tricky.

Dictatorship memories cloud security debate

PORTUGAL'S PARLIAMENT takes up the debate again today of the controversial internal security Bill proposed by Sr Mario Soares's Socialist - Social Democrat coalition, writes Diana Smith.

Opposition parties on the Right and Left, and even some prominent Socialists, have criticised it for what they see as serious threats to *liberties restored in 1974* after nearly 50 years of dictatorship.

The end of that dictatorship also brought the downfall of the political police force, the PIDE/DGS, which had powers to hold political prisoners incommunicado for months without trial.

Its members were subsequently found guilty of physical and psychological torture, and of unauthorised invasion of privacy, wiretapping and other breaches of individual liberties.

The new Bill is seeking to combat terrorism by permitting telephone-tapping and other sorts of surveillance, and search and arrest without warrant if urgent action is needed. Its critics see in it seeds of the type of arbitrary harassment once suffered by Portuguese.

The vehement criticism has led Sr Soares and other ministers to say that amendments to the Bill will be welcomed, but the Prime Minister insists that the country is very vulnerable to domestic or international terrorism because it has no intelligence service nor proper means to combat suspected terrorists.

Meanwhile, the magistrate in the case of 30 people arrested on suspicion of belonging to the urban guerilla group FP-25 (Forcas Populares 25 de Abril) has said that evidence against them is piling up.

They include the one-time hero of the peaceful 1974 coup Lt-Colonel Otelo Saraiva de Carvalho. He is accused of being the brain behind FP-25 which is suspected of killing several businessmen in the past four years.

Santer to head new coalition

By Paul Cheeseright in Brussels

MR JACQUES SANTER will be confirmed as Prime Minister of Luxembourg, heading a coalition of Social Christians and Socialists, later this week.

The former Social Christian Finance Minister was asked by Grand Duke Jean last month to explore the possibilities of forming a coalition with the Socialists.

This followed a perceptible swing to the Socialists at the general election on June 17 at the expense of the Liberals. The Liberals are now leaving power after 15 years.

The Social Christians and the Socialists have in recent weeks been negotiating a programme for the coalition, details of which will be published next week. Although this programme is expected to show a leftwards movement from the poli*cies followed by the outgoing Social* Christian-Liberal coalition, it has been agreed there should be no step to reduce the working week from 40 hours.

The programme will show how the Government intends to cope with the continued financial restructuring of Arbed, the steel company which is the Grand Duchy's biggest employer.

The parties are now discussing how to fill 12 ministerial posts. The Socialists will provide the Vice-Prime Minister and have responsi*bility for foreign affairs*, the economy, social security, transport and justice.

EEC move to end double VAT

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission is asking the EEC countries to agree on e directive which would stop EEC citizens having to pay value-added tax (VAT) twice – when they buy goods in one country and import them into another.

The proposal, from the office of Mr Christopher Tugendhat, the commissioner in charge of tax matters, builds on the principle of a 1982 European Court of Justice judgment which said that VAT could be levied on an import provided that account was taken of the VAT paid in an exporting state.

The Commission is suggesting that VAT be charged on imports and that where residual VAT exists in the exporting state, this should be refunded.

But the refunds would only apply to goods with a value of more than Ecu 2m ($1.57m), that had been sold or imported less than three years previously. After taking in exemptions, refunds would apply largely to goods which hold value such as cars and jewellery.

The principle of avoiding double taxation is frequently adopted for direct taxation through the medium of bilateral tax agreements. The issue is more obscure for indirect tax.

Bonn decision likely tomorrow on guarantee for East German loan

BY LESLIE COLITT IN BERLIN

THE BONN cabinet is expected to decide tomorrow on whether to guarantee a DM 950m (£256m) syndicated loan to East Germany led by Deutsche Bank which would be linked to humanitarian concessions.

West German bankers said the five-year loan will be at five-eighths above Libor compared with the 1 per cent above charged for last year's DM 1bn loan. East Germany will again put up as a surety the money *it will receive from Bonn this* year and part of next for Western use of the autobahn to West Berlin. That will total DM 620m this year.

Herr Franz-Josef Strauss, the Bavarian Prime Minister who heads the Christian Social Union which is part of the Bonn coalition, said East Germany is prepared to lower the amount Westerners must exchange before entering the country to DM 15 (£4) from DM 25 (£6.75). The amount was tripled in late 1980 which led to sharp protests from Bonn and a 50 per cent fall in the number of West Germans and West Berliners visiting the East.

The ultra-conservative Herr Strauss was instrumental in last year's loan to East Germany and has played an important role in the new credit.

He said be expected the situation along the inner-German border and at the crossing points to get "even better." East Germans, he said, would continue to be allowed out of the country. Some 25,000 East Germans were permitted to leave for West Germany this year "as a result of my efforts," he said.

Bonn says East Grmany is dismantling "at a brisk pace" the self-triggering shrapnel weapons at the border. They are said to have been removed along 100 km of the frontier. Their removal was a condition of last year's loan.

Herr Strauss had talks last week with the East German permanent representative, Herr Ewald Moldt, to discuss the visit to West Germany of President Erich Honecker. This first visit by an *East German* leader to West Germany is expected in late September, said Herr Strauss. It will probably take in the state of North Rhine Westphalia — but not Bonn because of the refusal by the West to recognise East Berlin as the East German capital — the Saarland, Herr Honecker's birthplace, and Bavaria.

Europe's high-speed rail links may widen

By Paul Cheeseright in Brussels

THE BELGIAN Minister of Communications, Mr Herman de Croo, will ask the Dutch tomorrow whether they want to take part in a high-speed rail network linking France with West Germany through the Low Countries.

His talks follow a meeting in Paris last week between the French, Belgian and West German transport ministers. They agreed to study in detail a service based on the French "*train à grande vitesse*" (TGV), from Paris, via Lille and Brussels, through the Meuse basin to Cologne. There could be a branch line to Amsterdam.

Their decision raises an idea floated a year ago to the *level of serious proposition*. A small working group reported to the ministers that such a service would be feasible.

The working group has been told to produce a report by the end of next year establishing the technical, financial and social details prior to a final decision by ministers on the project.

The stimulus for the project has come from France, anxious to create export markets for the TGV. Efforts are being made to sell the train in the U.S. and such ambitions would be more easily realised if the service were extended more widely outside France.

The Paris-Brussels/Amsterdam-Cologne link raises the possibility of a new European network of high-speed trains, building on the existing service from Paris southwards to Lyons and Geneva and within reach of existing high-speed services in Italy.

The working group will leave open the possibility of extending a branch line to the French Channel ports, pending a decision on a fixed rail link between France and Britain under the Channel. Anober branch line could run to Antwerp.

The building of a Channel tunnel would place the putative network nearly in touch with the existing British Rail high-speed service from London to Edinburgh.

In practical terms, the TGV would cut an hour off the fastest travelling time on the Paris-Brussels route, now 2½ hours. It would thus have a profound effect on air traffic, as has been the case between Paris and Lyons.

Transport project, Page 4

Norway gas find small

By Flemming Dahl in Oslo

The latest offshore gas find in the Tromsoeflaket area of northern Norway is relatively small, according to Statoil, the state-owned oil company. Reports that it could contain 170bn cubic metres of recoverable gas were "totally wrong."

Development is unlikely unless the Government gives considerable aid for building a pipeline, to something it is *reluctant to do. The company* is optimistic, however, about finding more gas in the area.

Meanwhile, a union call for 12-hour strikes on mobile oil drilling and accommodation rigs in support of a wage dispute has drawn limited response. Only five of 16 rigs took action, with one more planning to do so.

French forecast big surplus in social security system

BY PAUL BETTS IN PARIS

THE FRENCH social security system will show a FFr 13.1bn (£1.15bn) surplus this year, confirming the strong recovery in the country's social welfare accounts which began last year.

The Social Affairs Ministry had earlier expected only a FFr 200m surplus, but what it called "improvements in the management of the system and a sharp decline in health expenditures," lead to the dramatic revision.

It will be the best performance in the social security accounts since 1973. After deficits of FFr 6.6bn in 1981 and of FFr 7.6bn in 1982, the welfare system had a surplus of FFr 11.2bn last year. That surplus, too, was a steep upward revision of an earlier official forecast of FFr 4.1bn.

The system has been boosted during the past two years by a series of fiscal support measures including a 1 per cent levy on all taxable income. This special levy imposed for the first time last year and renewed again this year was part of the economic austerity programme.

It is expected to disappear next year as part of the package of tax reductions which President Francois Mitterrand announced last weekend. Those are intended to reduce by one percentage point the overall tax burden, but remain vague.

There will be an 8 per cent cut in the Government's overall fiscal revenues—equivalent to FFr 70bn and FFr 85bn. But the reduction in the so-called professional tax on businesses, an estimated 5 per cent cut in income tax and various other measures are expected to account for FFr 40bn-FFr 45bn.

The balance is likely to come from additional cuts in public expenditure. All this comes on top of an already tight government 1985 budget which M Pierre Mauroy, the Prime *Minister, is finalising.*

Moreover, pressure on public spending is expected to continue to grow sharply next year. That, in turn, is likely to force the Government to resort against unpopular indirect tax increases.

This has recently been the case with the Government's decision to increase the price of petrol by 4.5 per cent through an especially large rise in petroleum taxes. The move coming just before the July 14 holiday weekend caused considerable public discontent.

The promised tax cuts are part of President Mitterrand's general attempts to restore some popularity to his left-wing administration. In a similar vein, he has withdrawn a controversial private education Bill and proposed constitutional amendments to broaden the use of the referendum in cases involving essential personal freedoms and liberties.

Dutch budget may be easier than forecast

BY WALTER ELLIS IN AMSTERDAM

THE GRADUAL recovery in the Dutch economy over the past 12 months is expected to make the Netherlands' 1985 budget, now virtually complete, somewhat less austere than had been forecast.

Mr Onno Ruding, the Finance Minister, is still expected to cut public spending by more than Fl 8bn ($2.8bn) during next year. But public-sector wages and social welfare benefits are likely to be maintained at their present levels, at least for a time, while revised estimates are made of the state borrowing requirement.

Reductions in the levels of short-term unemployment pay and disability payments took effect this month, six months after a general 3 per cent cut in welfare benefits and public-sector wages.

Trade union leaders have made clear that further attempts to single out the public sector in the drive to save money will be resisted, and Mr Ruding will be keen to avoid, if possible, a repetition of the wave of strikes and other protests that went on for nearly two months towards the end of last year.

In the spring, the Government looked ahead to reductions in public spending for 1985 totalling Fl 9.6bn. Social security payments and public sector wages were to have been cut by Fl 2.7bn. Departmental budgets were to have gone down by Fl 2.9bn, and Fl 1.3bn was to have been saved in the health sector.

Now, each of those totals seems likely to be revised, and the timing of measures will depend on the volume of revenues the Government manages to attract in the meantime.

Earlier this month, it was disclosed that state revenues this year were likely to be Fl 3.9bn higher than had been forecast, but, commenting on this "windfall," Mr Wim Duisenberg, president of the Dutch central bank, said expenditure this year so far had still exceeded estimates by some Fl 500m.

Army lift for Dubliners

BY BRENDAN KEENAN IN DUBLIN

HUNDREDS OF Dublin commuters were ferried to and from work in army lorries yesterday. The Irish Government ordered troops to provide transport in parts of the city *which have been without buses for* a month because of a strike in one of the city depots.

Irish soldiers have become quite experienced at this task because of the troubled history of industrial relations in the city bus service, part of the National Transport Company, CIE. Troops were last used during a wider strike in 1981.

Soldiers spent the weekend preparing the trucks for civilian passengers, removing tailboards. Installing a bell and extra seats and clipping on the detachable ladders which they acquired for previous operations.

The intervention is on a small scale, with 11 lorries and about 40 soldiers involved.

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OVERSEAS NEWS

New Zealand change of government brings on financial crisis

BY DAI HAYWARD IN WELLINGTON

NEW ZEALAND is in the throeos of a serious financial and constitutional crisis with its two leaders—Sir Robert Muldoon, the outgoing Prime Minister, and Mr David Lange, Prime Minister-elect — fiercely opposed on what course of action should be taken.

Sir Robert said in a national television broadcast yesterday evening that the New Zealand dollar would not be devalned and called on Mr Lange to join him by making a similar statement.

But, as the night wore on, the nbvious disagreement between the two men flared into the open. Mr Lange said be would make no such statement and accused Sir Robert of "political point scoring," saying that New Zealand's currency and economic situation should be above party politics.

Although Mr Lange's Labour Party decisively defeated Sir Robert's National Party in Saturday's general elections, be will not formally take office under New Zealand's constitutional system for about another 10 days. Until then, Sir Robert retains the legal powers and authority of the Prime Minister.

Foreign exchange dealings were suspended on Sunday night after funds started flowing out of the country ahead of the elections. The suspension remains in force, and the Reserve Bank has given no indication when it will be lifted.

The pre-election run on the New Zealand dollar was the second major outflow of funds since the elections were first announced on June 14. Hundreds of millions of dollars have thought to have left the country in anticipation of a possible devaluation.

Mr Lange twice met Sir Robert yesterday afternoon and also beld discussions with Mr Roger Douglas, who is to become finance minister in the new government. Mr Lange, who later imposed a 24-hour news blackout from his office, refused all comment on his talks except to say that Sir Robert was not taking his advice.

Mr Lange said that Sir Robert was still legally Prime Minister and had the right to make decisions. "He also has the alternative of acting as my agent but at this stage he is not doing that," be said.

Mr Lange was not consulted by the Reserve Bank before it suspended foreign exchange dealings: approval for the bank's action came from Sir Robert.

After the first drain on foreign reserves following the election announcement, Sir Robert ordered the Reserve Bank to defend the dollar. He announced that it would make good any difference in the value of the currency if it was devalued in the near future.

Iranian leader invited to meet Saudi's King Fahd

DIPLOMATIC efforts appear underway to bring an end to the nearly four-year-old Iran-Iraq war, Our Foreign Staff reports.

In Tehran yesterday it was confirmed that Mr Hashemi Rafsanjani, speaker of Iran's parliament, has received an invitation to visit King Fahd in Saudi Arabia. At the same time it was learned that Saudi Arabia and its five allies in the Gulf Co-operation Council (Oman, United Arab Emirates, Qatar, Bahrain and Kuwait) met yesterday to discuss what they describe as an Iranian proposal to halt escalation in the war.

Mr Rafsanjani's office in Tehran has declined to confirm whether be would accept the offer to visit Saudi Arabia. Diplomats in Damascus, the Syrian capital, say that he definitely would go.

Ostensibly the invitation to Mr Rafsanjani is to make the annual Moslem pilgrimage (Hajj), to the boly sbrines of Medina and Mecca.

If he accepted, however, Mr Rafsanjani would be the highest ranking leader to visit Saudi Arabia since radical clergymen (mullahs) took control in Tehran in 1979. Mr Rafsanjani is a member of the Iranian inner war cabinet as well as being speaker.

Colina MacDougall explains how local officials have sought to block rural reforms

Bureaucrats oppose peasant enterprise in China

CHINA'S latest rural reforms have run into opposition from local officials who resent peasants escaping from the collective economy or earning riches in non-agricultural ways. This money, they believe, should be cnannelled into their own organisations (via an often sticky-fingered bureaucracy).

The official Chinese news agency, Xinhua, last month published Peking's main rural policy statement of the year, the Central Committee's No 1 Document of 1984. First circulated some time ago to selected officials, the document has now been published openly to counteract wbat the peasants have cbristened the "so-called No 2 Documents" drawn up by local officials.

The No 1 Document widened the scope of the earlier reforms introduced by the Deng Xiaoping leadership, which included the "responsibility system" (the right of an individual bousehold to contract with the state for a fixed quota in return for the use of a plot of land and retention of any surplus) and the right of rural bouseholds to specialise in particular lines (such as growing melons or raising ducks).

It sets out a much more profound reform whicb authorises peasants to run non-farming busiesses and allows them to do so by moving to nearby towns if necessary. Most notably, these businesses cover industry and the service trades, as well as processing, forestry or construction.

The reforms are intended in the long run to reduce the farming portion of the rural population to between only 20 and 30 per cent of the total — from a figure that is probably at least double that. Peking wants the most efficient families to take over the land, provided the others can support themselves elsewbere.

The "No. 2 Documents" were drawn up by local government and Communist Party departments to lay down rules which would frustrate the central Government's policy. Opposition, condemned as "leftist," comes from conservative officials who fear losing power, envy the peasants and worry over possible retribution.

Document No. 1 stipulates that a local authority can designate pilot-project towns where the peasants can set up small businesses. But some local officials bave made it almost impossible for a peasant to get a business licence, rent a bouse in town or change his household registration (essential in China). Where businesses have been successful, some local officials bave simply "nationalised" them, said Xinhua.

In Hunan province, officials invented a whole new set of regulations and cbarges. For instance, where peasant-run coal mining businesses shipped their coal out of the county, they had to get a special pass. Without one they had to pay fines up to half the value of their consignments

In Zhonglu, a small country town in Hubei province where making firecrackers is a long tradition, local tax and legal officials accused households now making them as a private business, of tax evasion and breaking the law. They deliberately extended the retroactive perind for paying overdue taxes, imposed fines and confiscated property.

Elsewhere, bureaucrats have taken advantage of their positions. In one district in Hubei, where some peasant families ran restaurants, officials eating in them accumulated bills of more than 15,000 yuan (about £5,000). Some officials pretended to be holding meetinga or carrying out inspections, and slipped away afterwards without paying the bills.

Some refused to acknowledge their debts, and, on ona occasion, broke up the restaurant wben the local paper reported the case. "They overturned a table with disbes on it, smasbed bowls and plates, kicked over a fish bueket and threw knives and cbopping blocks out the door."

They even threatened the owner, saying: "You must shut down tomorrow, otherwise we will have your house pulled down."

While such specific cases are rarely described in the Chinese Press for fear of antagonising officials, the steady stream of general criticism of "leftism" argues the strength of the opposition to all such reforms at the grass roots.

Deng was able to implement the earlier strictly rural reforms without excessive difficulty because in the main the peasants were on his side and quick results in the shape of more food in the towns soon appeared. But the wider social engineering, where farmers may be supplanting townsfolk and the town-based bureaucracy, may prove more difficult to achieve.

CHINA'S first Communist-era homeowners are having to suffer insults and discrimination from jealous neighbours, high utility bills and shoddy repairs to their bouses, according to the Economic Daily as quoted by Renter in Peking. The homeowners, encouraged by the Government to purchase houses instead of renting them for nominal sums from the state as most people do in Peking, are dubbed "capitalists" and "filthy rich," the newspaper says. One man found himself burdened with buge energy bills, while another could find almost no one to carry ont repairs. When he did, work was either sub-standard or only half-finished. Deng Xiooping, the Chinese leader, has urged that public honsing rents should be raised to encourage more people to buy homes and boost the inefficient and un profitable construction industry.

CURRENCY RESERVES UP

PEKING—China has reported a sharp rise in foreign currency reserves, at $15.69bn or roughly five times more than its overseas debt, writes Reuter from Peking.

The Central Bank said in a report published in the China Daily that reserves rose 9.4 per cent in the first three months of 1984, compared with 1.9 per cent in the previous quarter. But foreign debt increased by only $185m to $3.21bn.

The New China News Agency, meanwhile, said that an 11.6 per cent rise in industrial output in the first balf of this year dispelled any doubts that the nation's economic upswing could be maintained. The rise in output to 330bn yuan ($146bn) also boosted state reserves, the agency said.

Finance Minister Wang Bingqian had warned earlier this year that sluggish growth in revenue was seriously embarrassing the Government.

The agency said revenues to the end of May were 20 per cent higher than in the first five months of 1983, largely because of greoter profits by state-owned enterprises. It did not give any other figures.

Planned Sikh march sparks Amritsar curfew

BY K. K. SHARMA IN AMRITSAR

A 36-HOUR curfew was imposed on the Punjab boly city of Amritsar from Sunday night to meet the threat by Sikh women to march on the Golden Temple to regain control of the shrine from the army yesterday.

At the same time, the Government asked the army to start negotiations with the Akali Dal, the Sikhs' political party, on postponement of the agitation which bas threatened renewal of violence in the troubled state of Punjab.

Talks between the Akali representatives, who included a prominent woman leader, Dr Rajinder Kaur, continued all day yesterday but remained stalled until the evening because of the army's insistence on maintaining a presence in the Golden Temple.

The Akali Dal wants a total withdrawal of the army from the temple so that the Sikhs can begin repair work on severely damaged parts of the shrine and start to "purify" it.

A hopeful sign was that the protest march by the women group to be led by Dr Rajinder Kaur was indefinitely postponed although she threatened to hold it any time last night or today if the army did not leave the temple. This would inevitably lead to trouble.

D. P. Kumar in New Delhi adds: India has postponed talks with Pakistan due to be resumed in New Delhi on Wednesday and Thursday on India's proposal for a peace and friendship treaty and Pakistan's offer of a non-aggression pact.

But, it is known that things are not going well in bilateral relationship between the two countries, given the alleged role of Pakistan in the recent hijacking of an Indian Airlines Airbus from Srinagar to Lahore.

New Delhi prepares seventh five-year plan

INDIA'S National Development Council has adopted an "approach paper" for the seventh five-year plan (1986-90) which is itself more than double the size of the previous plan. A draft plan will be ready by November, D. P. Kumar reports from New Delhi.

Aggregate investment in the plan at 1984-85 prices is expected to be Rs 320bn (about £24bn), of which public sector outlay will ha about Rs 180bn.

Tha "approach paper" has laid down that the required resources will be mobilised in a manner which minimises both dependence on external sources and deficit financing.

Allocation of resources will be done with the basic objectives of higher food production, creation of employment and improvement of productivity.

The seventh plan, according to the "approach document," aims at a growth rate of a little over 5 per cent — which sbould contain inflationary pressures and lead to import substitution in sectors such as crude oil, grain and edible oils, besides generating employment and income for the poor, especially in less developed regions.

The plan is based on the assumption of a 20 per cent savings rate, which has already been achieved.

Egyptian Cabinet resigns in post-election reshuffle

BY CHARLES RICHARDS IN CAIRO

SIX WEEKS after the Parliamentary elections, the Egyptian Cabenit has finally resigned. safwat el Eberif, the information minister, said Mr Kamal Hassan Ali, foreign minister and acting Prime Minister, would announce a new cabinet tomorrow.

Mr Kamal Hassan Ali bas been acting prime minister since the death of a heart attack of Dr Faud Mohieddin, the former prime minister, on June 5 after he led the ruling National Democratic Party (ACP) to a sweeping victory in the May 27 elections, winning 390 out of the 448 elected seats.

The long delay in forming a new government reflects a lack of decision by both President Hosni Mubarak and Mr Kamal Hassan Ali, both on the type of government they want and the kind of men available to fill the posts. It also shows remarkable lack of confidence in the mucb vaunted electoral process, stemming largely from Mr Mubarak's nature as a cautious man unwilling to make sudden changes.

Mr Kamal Hassan Ali is expected to delegate authority much more than bis predecessor who concentrated decision making into his hands. It is widely believed that foremost among the new posts will be a deputy prime minister for the economy, to oversee the ministers of economy, finance, and investment. Few expect major changes in policy, but rather an attempt to create more efficient government to improve economic performance.

Mr Mubarak bas already made one major appointment since the elections, that of the speaker of the People's Assembly or parliament. Tbe new speaker is Dr Rifaat al Mahjoub, a law professor, who was one of the ideologists of Nasser's Arab Socialist Union.

AMERICAN NEWS

Dow's $120m claims offer 'will not hit earnings'

BY TERRY DODSWORTH IN NEW YORK

DOW CHEMICAL, the second largest U.S. chemicals company, said yesterday that the $128m (£92m) settlement tentatively agreed with claimants against its morning sickness drug Bendectin (marketed in the UK under the name Debendox) would hava little impact on its earnings.

Merrell Dow Pharmaceuticals, a unit of Dow Chemicals, is to pay $120m into a special fund set up to settle claims made by 70 plaintiffs against the company.

Theout-of-court agreement follows action brought by parents claiming that birth defects in their children were caused by Bendectin.

After the announcement of the deal, Dow said the decision to make the payment should not be construed as an admission of liability. "Acceptance is based solely on business confidence since we have confidence in the safety of the drug," it said.

According to the Cincinnati Federal Court, which had heard the claims, the Dow settlement is one of the largest ever made in U.S. product liability history.

Before it is finalised, however, further hearings will have to be held in the court, to allow claimants to have their say on the questiono f fairness. Judge Carl Rubin will then decide whether or not to accept the settlement.

The agreement provides for $40m to be set aside within the next month and a further $20m on final acceptance of the settlement by the court. The remainder will be paid in annual instalments over the next 20 years.

Dow said yesterday that the deal would have little effect on its earnings becuse it was adequately covered by product liability insuranceand reserves. In the first quarter of this year, the group earned $122m.

Only two months ago, Dow was also one of the main contributors to a $180m fund set up by a group of U.S. chemicals companies for claims against the Agent Orange defoliant.

Andrew Taylor writes: Around 20 British families which have sought compensation from Merrell Dow in the U.S. courts are not expected to share in the settlement.

A number of these cases have been referred back to the British courts under "forum non-convenience" which means that U.S. justices have decided that the cases would be better heard in the UK.

Merrell Dow, however, said yesterday that it has no plans to make out-of-court settlements outside the U.S.

Dr Harry Masheter, medical director of the company's British operations, based in Hounslow, Middlesex said: "The settlement only applies to Merrell's U.S. business. As far as I am aware, there ara no plans to make similar payments in Europe.

"The settlement has only been agreed in response to the high legal costs involved in defending court actions in the U.S. It does not imply any admission that Debendox has caused congenital malformation."

Mr Jack Ashley, Labour MP for Stoke-on-Trent South and founder of the Debendox action group representing 400 British families said there was a "very clear moral obligation on the company to make a pro-rata payment" where such cases had arisen in Britain.

He appealed to the Government and GPs to ensure that th health service used alternative drugs to those supplied by Merrell until the company made a similar offer to British parents.

Debendox was introduced into Britain in the late 1950s and the company estimates that around 3m courses of tha drug had been used when Merrell decided to stop manufacturing the drug last summer.

Other European countries where Debendox has been sold include West Germany, Italy and Spain.

IMF thinks Venezuela economy is on course

By Peter Montagnon, Euromarkets Correspondent

THE INTERNATIONAL Monetary Fund has told Venezuela that it does not need an IMF credit to help it sort out its $33bn (£25bn) foreign debt problems, Sr Manuel Azpurua, Finance Minister, said in London yesterday.

A recent IMF mission to Caracas gava the new Accion Democratica Government's economic policies its seal of approval. "The IMF thinks the economy is going in the right direction," Sr Azpurua said in an interview.

Venezuela's commercial bank creditors have pressed the country to take up an IMF programme as backing for its efforts to renegotiate some $14.5bn in public sector foreign debt, but with an IMF programme now deemed unnecessary, one stumbling-block to the debt negotiations has been removed.

Formal talks with bank creditors begin next week. Sr Azpurua said the Venezuelan Cabinet has yet to finalise its rescheduling request. But be warned that Venezuela is "very concerned" about rising interest rates. "It is necessary to think about some alternative," be said.

Such remarks have prompted speculation that Venezuela, which has n current account surplus and reserves of $12bn, might seek to reschedule its debt at a fixed rate of interest.

But Sr Aspurua refused to be drawn on this, saying only that the Government was still studying the alternatives.

Venezuela will make a concerted effort to reduce outstanding interest arrears on private sector debt before next week's talks at which it will be represented by its chief debt negotiator.

●Jamaica is proposing to its Paris Club creditor countries that they refinance $172m of the island's debts, writes Canute James in Kingston.

Mr Edward Seaga, Prime Minister and Finance Minister, is visiting Paris this week as part of a wide-ranging effort to refinance the island's $3.1m foreign debt.

The refinancing programme is part of a recent agreement with the International Monetary Fund.

Reginald Dale and Louise Kehoe at the Democratic Convention

The prime-time viewing spectacular

IT HAS been called "the largest TV studio." That just about sums it up.

The underground Moscone Convention Centre in downtown San Francisco is all wired up for national television coverage of tha Democrats' Party Convention, and not much else, except the sale of expensive T-shirts and campaign buttons.

As with most modern U.S. political conventions, the entire schedule is built around prime-time viewing hours on the East Coast, which, with the three-hour time difference means that the major set-piece events do not start until mid-afternoon California time. ... ...

When all the TV lights ara on, it has been calculated that the temperature in the hall is likel to rise to 110F. The answer, say the organisers, is to issue the almost 4,000 delegates and their alternates with more iced water and salt tablets—not, of course, turn off the lights.

Syymbolically, the only people authorised to park their cars at the Centre—a major consideration—are the employees of the TV networks. There is no parking for newspaper journalists, indeed not for delegates, who will be brought in by shuttle bus.

Many delegates did not want to come to San Francisco in the first place. They were afraid that the TV coverage would be dominated by the curious street people for which the city is famous, who plan to turn out in almost non-stop demonstrations—linking the Democrats in the public mind with freaks, weirdos and, of course, homosexuals.

The contrast with the opposition, they fear, will be striking. The Republicans assemble in clean-cut, cowboy-hatted Dallas in a month's time—for a Texas style apotheosis of President Reagan.

The street people have indeed been in evidence. Nearly a quarter of a million demonstrators filled the streets on Sunday as labour leaders and gay activists tried to grab some of the limelight surrounding the convention.

The marchers were peaceful and fesive. Hundreds of police clad in riot gear stood by and watched as AFL-CIO members chanted "Ronald Reagon, he's no good, send him back to Hollywood."

Later, about 100,000 gays and lesbians led by the 65 gays serving as delegates at the convention, paraded along Castro Street toward the convention centre. "Years ago, we had to fight to be included—now we are routinely included," explained one gay delegate.

The headlines are much more often being captured by local celebrities such as Sister Boom Boom, a male transvestite "nun" in black miniskirt and fishnet stockings, who presides over an "order" of about 20 followers, called the Order of Perpetual Indulgence.

Sister Boom Boom onca ran for city office and won 23,000 votes, and has starred in most of the pre-convention coverage.

Last week, the city was the venua for a Hookers' Convention, in which female prostitutes demanded their rights — most notably to a computerised databank of their clients' credit and health records.

As many of them seem to have stayed on for the Democratic Convention, for overtly professional reasons, any computer list by the end of the week should be interesting enough to justify a new Watergate-style break-in.

Women have tended to dominate the news ever since last Thursday, when the likely nominee Mr Walter Mondale chose Ms Geraldine Ferraro of New York as his running mate.

Ms Dianne Feinstein, the Mayor of San Francisco, who is generally thought to have been placed second, has been charmingly sporting about her rival's success.

Some of her closest advisers actually believe that she may have done well to miss the chance of running on a losing ticket, while still acquiring "national exposure" for being considered for the job.

Out in the empty parking lots of the Moscone Centre, in the front line against the demonstrators, is Officer Laura Carroll, the only San Francisco mounted-police woman and a fully qualified member of the local SWAT (Special Weapons and Tactics) squad.

With tear gas, gun, truncheon and a 20-year-old horse called "Vegas Dave," she is ready for any trouble.

A member of All Species Caucus '84 who marched to San Francisco's Civic Centre, seeking support for protection of the environment and endangered species.

The one critical question that has yet to be answered as the convention gets under way is how many of the 30,000 delegates ara computer literate?

It could become tha most importaot issue of the convention. For the first time in U.S. history, delegates to a national political convention will be voting by computer, cutting voting time from about 1 hour down to less than 15 minutes.

The instructions are straightforward: "To cast your delegation's vote, follow the instructions on the screen. The red button is used to begin voting, change a vote and send your deelgation's vote to the podium. The blue button is used to move the cursor when entering your delegation's vote."

So far so good. But "if you typed the wrong number, use the blue button—if you sent the wrong vote, use tha red button.

"If the computer tells you that too many votes were cast or soma other mistake was made, use the red button and start over. If you have any questions, pick up the red phone."

When it comes to the election of a Presidential candidate, the Democrats will revert to the time-honoured system—something which cannot be trusted to a bunch of microcomputers.

Speeches will set tone for autumn campaign

THE MAIN highlights of the Democratic Convention come on Wednesday and Thursday nights, with the roll-call balloting for the Party's presidential and vice-presidential candidates, Reginald Dale writes.

Even though there is little doubt that the Convention will swing behind a Mondale-Ferraro ticket, the performance of the two partners will be closely scrutinised in the days ahead.

After Mr Mondale's expected nomination on Wednesday night, and Ms Ferraro's on Thursday night, both will give acceptance speeches that will set the tone for tha autumn campaign against President Ronald Reagan.

Major landmarks include last night's "keynote" address by Governor Mario Cuomo of New York, earlier believed to have been Mr Mondale's first choice for the vice-presidency, and speeches by the twn "losers"—Senator Gary Hart of Colorado and tha Rev Jessie Jackson, who have both been allocated prime time TV speaking slots—Mr Jackson today, Mr Hart tomorrow.

The manner of what should amount to their concession speeches will be a key indicator of how far the Party will be able to present itself as united behind Mr Mondale

Mr Jackson and Mr Hart both have challenges to hte Party's election platform due for debate tonight.

Mr Jackson's amendments cover civil and voting rights for minorities, the non-first use of nuclear weapons and a cut in U.S. defence spending.

Mr Hart is seeking much more stringent conditions on the use of U.S. military force overseas, with specific reference to the Gulf.

A major deal has already been struck, however, on the vexed issue of Party rules for the selection of the next presidential candidate in 1988. Basically, Mr Mondale has given in to the demands of his two rivals, in tha interest of plain sailing at tha convention itself.

That means that the rules will be changed to favour minority and outsider candidates, by lowering thresholds needed to win convention delegates and reducing the number of official Party establishment delegates.

Dominican Republic near debt deal

By Canute James in Kingston

THE DOMINICAN Republic and the International Monetary Fund are approaching agreement on controversial economic measures that the Government has been reluctant to implement.

Talks with the fund about a $450m credit were broken off in late May by President Salvador Jorge Blanco. Government sources in Santo Domingo, the capital, said the Government was insistent that it would not move oil imports from the "official" rate of exchange of one peso to the dollar, to the "parallel" rate, which would have tripled prices.

Nuclear technology export controls to be tightened

BY STEWART FLEMING IN WASHINGTON

TWELVE WESTERN nations which supply nuclear technology met in Luxembourg last week and agreed on the need to tighten up controls on nuclear technology exports, diplomatic officials in Washington confirmed yesterday.

The meeting, to which only the Western members of what is known as the London Suppliers Club, were invited was the first since 1977 and is being presented in Washington as aimed at demonstrating increasing U.S. concern about nuclear proliferation.

Whereas President Jimmy Carter took an active interest in the dangers of nuclear proliferation, the Reagan Administration has been widely criticised as failing to take the issue seriously enough.

The latest intiative by the Administration is seen, however, as part of the Administration's efforts to blunt inevitable criticism of its record in this area in the forthcoming election campaign.

Among the concerns raised at last week's meeting were the need to try to bring into the discussions new suppliers of nuclear equipment such as Brazil and China.

There is particular concern, too, about evidence of co-operation between China and Pakistan in the field of nuclear technology.

WORLD TRADE NEWS

Hong Kong to build light railway system in New Territories

BY DAVID DODWELL IN HONG KONG

HONG KONG'S Kowloon-Canton Railway Corporation has decided in principle to build a 34km light railway system in the colony's western New Territories at a cost of about HK$2bn (£194m).

Final details of the system, which will link the new towns of Tuen Mun and Yuen Long as well as providing routes inside Tuen Mun, will be drawn up in the next few months, with tenders being invited at the end of the year, Mr Peter Quick, the corporation's managing director, said yesterday. It will be paid for by borrowings and export credits, he said.

When complete in 1996, the rail network will serve a population of more than 920,000 people and will carry 70,000 passengers per hour at peak travelling times.

The project has attracted its share of controversy over the past year. The Hong Kong Government only approached the corporation in November 1983 after Hongkong and Kowloon Wharf and Godown Company, a major property, transport, cargo-handling and hotels group, withdrew from the venture claiming the terms offered by the government were not commercially attractive.

Mr Quick said yesterday that he was confident the system would be viable by 1996 and that adequate financing could be arranged. He also said tha government had agreed to give it more time to pay its existing debt, which stands at about HK$1bn. Without this concession, it is understood that the corporation would have refused to go ahead with the project.

The light rail system will be built in three phases and will be managed as a financially distinct division of the corporation. The first and main stage will cost between HK$1.2bn and HK$1.5bn and will be complete by the middle of 1988.

The corporation was hived off from the Hong Kong government to become public at the end of 1982, when a HK$3.5bn programme of electrification and modernisation of its railway line linking Kowloon with the Chinese border was nearing completion.

In 1983, it reported an operating deficit of HK$154m despite an increase over the year from 80,000 passengers a day to an average 190,000 passengers a day. This was mainly due to depreciation costs of HK$61m and interest charges of HK$112m. The interest was due on a loan of HK$1bn from the government.

The corporation has delayed its final decision on whether or not to go ahead with the project largely because of worries over how it could generate enough earnings to repay interest and borrowings by 1996. Hong Kong reverts to Chinese sovereignty in 1997 and it ia understood that many foreign borrowers would prefer to be repaid before that date.

Automatic transport project

BY PAUL BETTS IN PARIS

THE French government gave the go-ahead yesterday for a FFr 149m (£12.97m) programme to experiment in Paris with an entirely automated small urban transport system called Aramis.

This automated mini metro system involving small vehicles carrying 10 passengers each, powered by electric engines and running on rubber tyres on rail tracks, is designed to become operational in Paris between 1990 and 1995.

But the manufacturer of the system, the state-controlled Matra electronics and defence group, intends marketing the system for other French cities and the U.S. market. Matra also manufactures the larger VAL automated urban transport system operational in the French northern city of Lille. The French company recently signed an agreement in principle to supply the VAL system to Orlando in Florida.

The accord launching the test programme in Paris was signed yesterday by the French transport ministry, the Paris region, Matra and the Paris urban transport company RATP. The test of the Aramis system will be financed 34 per cent by the government, 20 per cent by the regions and 23 per cent each by Matra and RATP.

Japanese contracts worth £3.1bn

OVERSEAS contracts placed with Japanese construction companies hit a record high of Y1.05 trillion (million million) (£3.1bn) in the year to March 31 1984, according to Government figures, Robert Cottrell reports from Tokyo. The total value of contracts was 13.6 per cent higher than in the previous fiscal year.

Singapore was the largest single source of contracts, with awards totalling Y259.1bn, including land reclamation, subway and high-rise building contracts. Asia as a whole accounted for 65 per cent of all contracts, with 15 per cent of orders coming from the Middle East.

Fives Cail Babcock in £71m Egypt deal

Fives Cail Babcock of France has won a turnkey contract from Tourah Portland Cement of Egypt, our Trade Staff reports. The deal, worth FFr 800m (£71m) involves the construction of a 1m tonne a year capacity production line at the cement complex. The plant will link up with another production line, ordered from Fives Cail Babcock in 1982. The total value of the two contracts is worth £168m.

ECGD backs $16.2m loan for Oman

The Export Credits Guarantee Department has guaranteed a $16.2m loan which will help to finance the supply of goods and equipment associated with engineering and construction works for the extension of the Sultanate of Oman's Air Force facilities at Mesirah Island. Finance for the loan has been made available by Wardley London Limited and the British Bank of the Middle East to the Government of the Sultanate of Oman.

Jordanian Minister 'set for pipeline talks'

Jordanian Commerce minister Mr Jawad Anani left for London yesterday to discuss financing of the pipeline planned to carry 1m b/d of Iraqi crude to Aqaba on the Jordanian Red Sea, tho official Jordan news agency Petra said, Reuter reports from Amman. Mr Anani said he would discuss principles and conditions for financing the estimated $1bn pipeline.

Taipei learns to bury its congestion problem

Robert King reports on an ambitious solution to endless traffic hold-ups

TAIPEI'S PLANNERS, plagued by congestion in the inner-city, have proposed a classic old-West-solution to a far-East problem: plant one part of the problem six feet under and order the rest out of town by noon.

When the dust has settled, about five years from now, the Taipei railway station, along with more than 4 kilometres of track, will be underground. Most of the old-city businesses and government offices will be relocated seven kilometres to the east in what is now rice paddy and under-used industrial land. And, if the Government approves an even more ambitious plan, the city will also incorporate sections of the existing rail network into a Mass Rapid-Transit (MRT) system that could eventually cover more than 74 kilometres.

Taipei has grown within about a century from a second-rate trading post located on a marsh to the centre of Taiwanese finance and trade. But it has grown largely without urban planning: new construction and road have until recently simply been tacked onto whatever was left over from the 50-year Japanese occupation that ended in 1945.

Thus, city and central government offices continue to cluster in the old city-centre near the rail station. Traffic at dozens railway station. Traffic at dozens of level crossings in the heart of the city becomes snarled each time a train passes. Hundreds of commuters clog the streets and bus systems at rush hour, and hordes of people with business at government offices keep up the congestion during office hours.

The seemingly unsurmountable problem led planners to begin the underground rail system and the so called Hsinyi Project. The first, under the general planning and supervision of Deutsche Eisenbahn consultants of West Germany, involves putting the Taipei rail terminal plus 4.4 kilometres of track underground, as well as improving substations and tha general environment along the line from one end of the city to the other. The projected $443m cost of the project will be met by funds from tha central government budget and a recently secured long-term, low-interest loan of $80m from the Saudi Arabian Government.

The underground plans spell increased opportunities for foreign companies specialising in switching, signalling and electrification systems. It is not clear how much the contracts will be worth, but both European and U.S. companies will ba free to tender. Companies from the U.S., the UK, West Germany and Sweden took part in tha electrification of the main north-south railway line a few years ago.

Planners say L. M. Ericsson of Sweden likely has the inside track on bidding for the signalling systems, since that company installed the original equipment. The same is true for British Rail, which provided the overhead high-voltage lines for the north-south trunk.

The Hsinyi Project, named because of its location at the intersection of Hsinyi and Keelung roads on the eastern fringes of developed Taipei, will cost the city $133m. The project will include a new city hall, a world trade centre, a commercial office building, an inter-city bus terminal and an MRT station — if the Government approves the MRT plan, the trade centre will be finished next year, and planners expect completion of the whole project within this decade.

The project aims to shift the focus of the city'a business from the congested old centre to the underdeveloped east while renewal takes place downtown. But it is more than just a temporary surrogate for the existing centre: the Hsinyi plan will serve as a model for Taipei'a future development, one which emphasises people and the environment rather than simply buildings and business, for instance, the plan incorporates pedestrian walkways, parks and other green spaces, and sets more comfortable distances between buildings than is now generally the case. Because the project fronts on today's preferred business location, foreign companies will also have easier access to various government offices.

Ironically, though, the MRT system, a common thread binding both the underground and the Hsinyi projects, has not yet been formally approved by the Government. For instance, the railway station will go underground largely to integrate it into the MRT network. The success of the Hsinyi project, on the other hand, depends on its accessability, which existing surfaco transportation will be hard-pressed to provide.

Lack of clear responsibility for the MRT forms some of the problems. Taipei, as a "special municipality," is administered by tha central Government. The railway administration, part of whose lines the MRT will use, falls under the provincial Government. But land acquisition, integration with the bus system, and traffic control will be up to the city Government.

British mass-transit consultants, in co-operation with local engineering consultants, have already submitted a detailed plan calling for three city and one suburban line to be completed by the year 2000. The project originally carried a $5.1bn price-tag, but Taiwan planners have cut this to about $4.6bn.

Courtaulds bids to expand plants in Soviet Union

BY OUR TRADE EDITOR

COURTAULDS, the British textile group, is bidding for contracts in the Soviet Union to modernise a number of tha plants it has built and equipped there over the past 25 years.

The company's engineering division has put in tenders for the renovation and expansion of two sites and others are being discussed.

Although traditionally reluctant to enter into compensation deals when trading with the USSR, some kind of buy-back arrangement could be involved in the latest negotiations, according to Dr Norman Wooding, the deputy chairman in charge of Soviet business.

Courtaulds has built seven plants for the Russians, four for the manufacture of cellulose acetate yarn, two for acrylic fibre, aod ona for viscose tyre cord. It claims to be the biggest British exporter to the country, with sales of more than £60m a year.

After 30 years in the market, the company two months ago signed a five-year framework agreement with three Soviet foreign trade organisations: Techmashimport (chemical process plant), Exportlyon (fibres, fabrics and yarns) and Soyuzkhimexport (chemical raw materials).

Dr Wooding said the point of the agreement was that it gave the company an automatic right to tender or quote for business.

Other West Europen companies with similar deals had found them valuable, he said.

Total British exports to the Soviet Union rose 26 per cent to £448m last year, tha level reached four years ago.

UK-Soviet trade, of which the balance is in the USSR's favour, is, however, low compared with that of other West European countries.

Malta starts up container project

By Godfrey Grima in Malta

MALTA yesterday commissioned its first container terminal at the new transhipment harbour being built at Marsaxlokk on the island's south coast.

The entire project, which is scheduled to be completed by 1987, is expected to cost between M£84m (£137m) to M£136m. Finance has been raised by the Maltese government with Saudi Arabia and Abu Dhabi.

The Marsaxlokk project is by far the most ambitious and expensive scheme undertaken by premier Dom Mintoff's government to revive Malta's role as a Mediterranean maritime centre. The port is likely to provide lively competition to container harbours in Sicily and Cyprus.

Mr Mintoff's government would prefer that the harbour is managed jointly with a renowned international company and talks are taking place with a number of European and American organisations.

TAP to sell two Lockheed TriStars and cancel option

BY DIANA SMITH IN LISBON

TAP/AIR PORTUGAL, the national airline of Portugal, must sell two TriStar L-1011 aircraft delivered by Lockheed and cancel its option with the U.S. manufacturer for three further TriStars.

TAP is likely to have to sell tha TriStars back to Lockheed. In 1980, TAP and Lockheed signed a $350m contract for two TriStars to be delivered in 1983 with a firm option for another three later.

The sale is planned under the three-year financial and economic recoperation plan of the Portuguese Government. TAP, like other state-run enterprises in financial difficulties, has been singlad out in the plan for drastic economy measures.

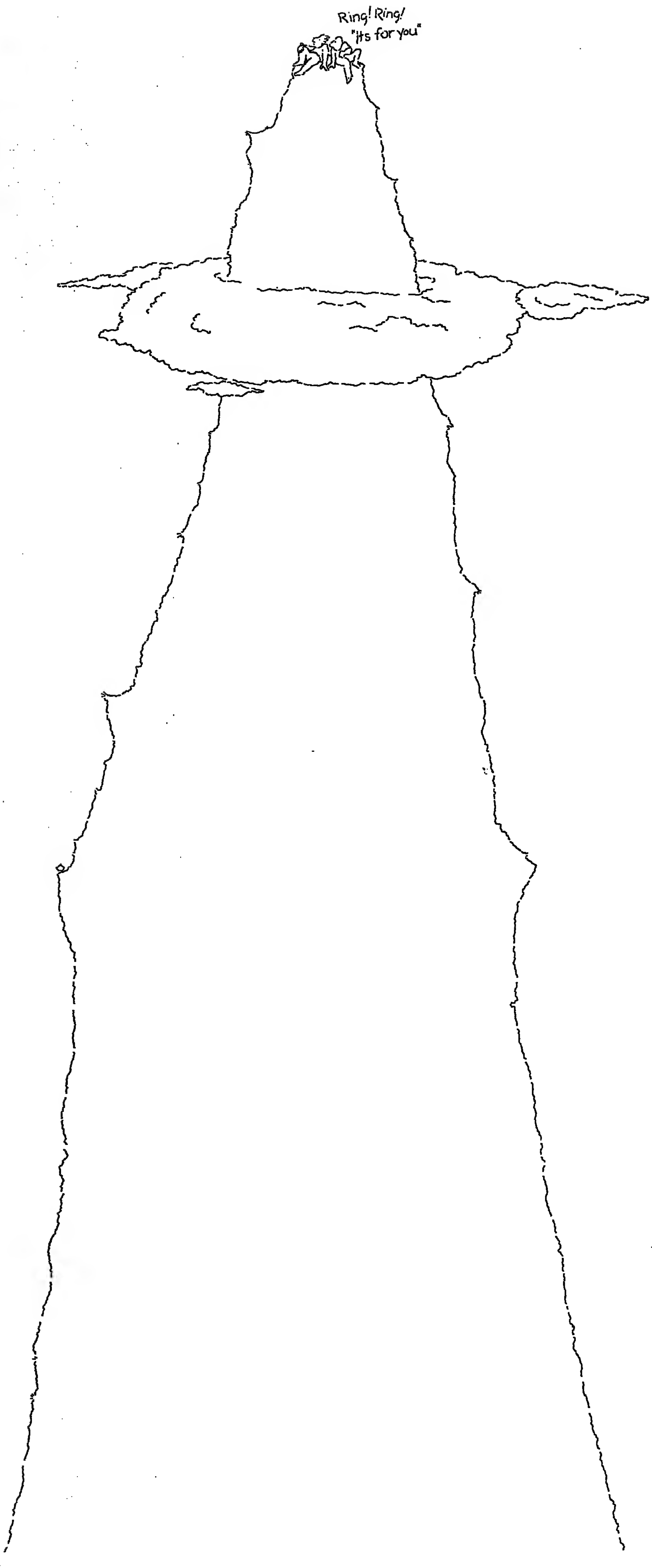
The 1980 deal included a complicated offset package of $65m whereby Lockheed committed itself to promote sales in the U.S. of Portuguese goods, equipment and services. Tristar purchases were financed by Chase Manhattan, National Westminster and the Banco Portugues do Atlantico, Portugal's largest commercial bank.

TAP could lose an estimated $100m from the resale of two Tristars and cancellation of the option when financial charges are computed. But it is felt that traffic forecasts do not warrant large aircraft nowadays.

TAP has just sold two Boeing 747s bought in the early 1970s for then-profitable routes to African colonies. Decolonisation hurt TAP and the airline has had troubles adjusting to lost long-range passengers on routes where it had few competitors, and to high fuel costs.

The latest plan is another effort to trim TAP's finances, fleet and image. It has improved punctuality, once its weakness, and reduced losses from Esc 5bn (£25m) in 1981 to Esc 3.3bn in 1982.

The latest plan includes draatically scaling down overmanned TAP offices abroad, where 1,500 people are employed, investment in profitable catering and duty-free enterprises and streamlining regional services.



Real technological revolutions, the kind that change people's lives, are few and far between in an age of hype.

The motor car changed the way we travel; the wireless changed the way we entertain ourselves; and the first truly portable telephone will just as profoundly change the way we communicate over distances.

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TECHNOLOGY

EDITED BY ALAN CANE

AUTOMATED MANUFACTURE AT DAVID BROWN

New gear for the gear makers

BY PETER MARSH

HOW DO you introduce automated techniques to a factory that turns out one basic metal product but in no fewer than 585 different versions?

The answer, in most cases, is that you don't — instead, the factory is forced to rely on techniques for making objects in small batches that owe more to the 1880s than the 1980s.

In these manufacturing methods, machine tools dotted in seemingly random fashion around the workshop are each responsibla for a single operation such as cutting or drilling.

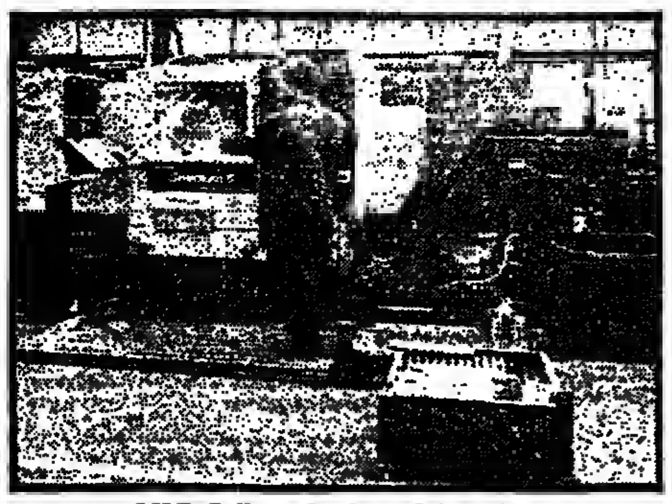
Because it takes a long time to reset a machine so it does a different job, engineers have littla opportunity to change the functions of individual tools. But due to the huge variety in the shape of the finished product, parts are made in such small batches that engineers can hardly ever justifiy the scrapping of specific items of machinery.

The result is a mushrooming of machines to take np a large amount of space. For a lot of the time, the hardware is lying idle. The system also engenders a buge mass of parts in varying stages of completion that must continually be shunted between different tools.

The Sunderland division of David Brown Gear Industries decided last year to make a break with the past and replan its factory from scratch. The division makes work-reduction gear boxes that feature in a range of industrial and consumer machinery. The products essentially transfer the output from a high-speed motor to a shaft that turns at a lower speed but with a greater torque.

The Sunderland factory turns out gear boxes in about 45 basic forms. These range from palm-sized units, which for example drive office machinery or children's mechanical rocking borses, to buge affairs that power conveyors or mixing equipment in industrial plant.

To compound the complexity, each basic model comes in 13 different versions, depending on the ratio by which the speed of the motor attached to the gear box is reduced.



S.M.T. Pullmax Swedturn 6 in action.

The motivation to change the Sunderland factory was strictly commercial. Orders for gear boxes started to dry up, partly as a result of tha recession and partly due to stronger competition from overseas suppliers. "We were struggling," recalls Mr John Westwood, tha works manager of the Sunderland division.

The company decided to rationalise its factory operation and called in Ingersoll Engineers, a company of consultants based near Rugby, to advise on a new strategy. The new approach appears to bave paid off.

With fewer workers, the factory has increased output. Annual wage costs and other overheads have fallen by £600,000, whila in ona year sales have increased by £2m. On this hasis, the company bas already more than recouped the £1.35m that the reorganisation cost.

The factory underwent metamorphosis during a three-week shutdown last year. In this time, engineers scrapped about 70 of the factory's existing 178 machine tools, almost all of them manually controlled, and redneced the area of the workshop by 30 per cent.

David Brown spent £750,000 on seven new compoter-controlled machine tools to supplement what was left of the mannal machinery. It invested a further £600,000 on building work and new equipment to paint finished gear boxes.

The main result of the new hardware is that it greatly reduces tha times needed to reset equipment to do different jobs. In the old factory, workers would bave had to work round the clock for up to two days to change the function of a line of machinery consisting of about a dozen conventional tools.

With computerised equipment, whose operation is controlled by a program devised by the factory's prodoction-engineering department, this setting time becomes just a couple of hours. As a result, machines can be quickly changed to do a variety of jobs. They are thus in use for a higher proportion of the working day.

In addition, the company can react more quickly to orders from customers and the mass of parts that the factory needs to store is reduced.

Four of the new machines, made by S.M.T. Pullmax of Sweden, cut cbunks out of parts while they rotate. This equipment shapes components of the gear boxes such as shafts and wheels.

Tha three other new items of hardware are computer-controlled machining centres in which the metal part remains stationary whila a variety of tools drill or bore boles or grind away pieces of metal. David Brown bought these machines from Scharmann of West Germany and Howa (Sangyo), a Japanese company. Mr Westwood says ha would have liked to buy from a British company, but that the right producta were not available.

In the Sunderland factory, a single componant such as a casing may well receive the attention of a machining centre for an hour at a tima while different tools (extracted from a carousel which is part of the hardware) do up to 100 jobs.

The factory aims this year to turn out 46,000 gear boxes as opposed to 32,000 units before tha reorganisation. The workforce bas dropped from 410 last March to 330 today. Mr Westwood says this was done first hy calling for voluntary redundancies and then by weeding out people wbo bad a poor working record. He says that the six unions at the plant accepted the notion that if nothing were done, the factory wonld eventually shut down because it could not compete.

The mainly skilled workers who operate the machines were not touched by the job reductions. Over the past 14 months, their numbers have increased, from 148 to 162. Unskilled shop-floor workers decreased from 172 to 153, lending force to the argument that it is the lower grades of factory labour forces who have most to fear from manufacturing automation.

The information centre: a question of regulation

Professional Personal Computing

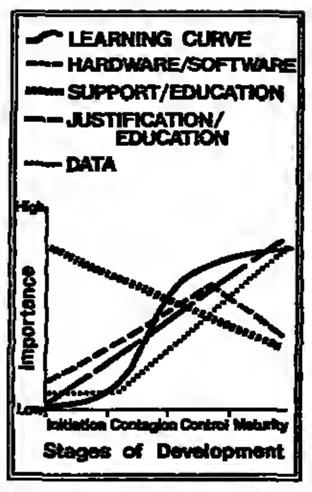
IBM INTRODUCED tha information centre concept a few years ago as a means of organising and controlling the spreading usa of tarminals and personal computers.

The theory was simple. For years pressure had been building on the central data processing centre to provide applications programs for end users, a pressure which many mainframa installations were simply not well designed to satisfy.

In consequence, the time taken for implementation of even quite simpla applications becama impossibly long and end users were very frustrated.

The IBM Information Centre concept involved a small but substantial computer—ona of its 4300 series—available directly to end users for the development of their small, but important, applications programs. Tha original idea was that the users would work on tarminals; now these bava been aupplanted, in theory at any rate, by the coming of the personal computer.

But the introduction of the information centre has raised a number of critical issues. At a recent meeting of the European Confarence on Information Managemeot (Eurocim), Professor Michael Treacy of the Massachusatts Institute of Technology offered a new insigbt into this very recent development in personal computing.



Treacy'a view of information centre development

First, tha scale of the problem. Xerox Corporation estimates that in 1981, 15 per cent of the company's computer resources were devoted to end-user computing.

This percentage seems to be increasing at between 50 per cent and 90 per cent a year so that by 1991, 75 per cent of computer resources in large companies could be devoted to end-user computing (this really means personal computing; very large corporate programs will still be the province of the data centre).

There are four critical issues:

1—If hardware and software is standardised, freedom to innovate is restricted; if not, intercommunication is endangered.

2—Lack of data and security standards can cause chaos because of misinterpretation or misuse, but standards do not yet exist and immediacy is the essence of end user computing.

3—Should users be provided with support locally or centrally from the main data processing operation.

4—How is it justified? End user computing is about exploiting opportunities rather than cutting costs.

Professor Treacy suggested that information centres are like central data processing installations in their development.

He suggested that just as central installations follow tha pattern of initiation (gatting started) contagion (ideas start to spread) control (idaas spread too fast) and maturity (tha data centre is treated as a conventional business department) first proposed by R. L. Nolan, so information centres follow a similar pattern of growth.

The diagram sbows how Treacy thinks Nolan's four stages correspond to sections of a learning curve that most information centres go through.

Which issues are critical at any particular time depends on the stage of development of tha centre. Treacy argues that during the first phase wben the cantre is being established thare is no need for controls at all; what is important is that executives sbould use tha centre and get satisfaction from doing so—belped by advice from tha data centre and roving consultants.

During the contagion pbase, responsibility will fall on the user department; it will be accountable and it will bave to bave its own support expert.

After this pbase, it is time to control tha centre through centralised policies and decentralised support—together with attention to standards and automation.

In the final pbase, the organisation has to focus on wbat it really wants out of tha centre —competitive advantage for the company rather than a bost of computer-literate executives. At the point formal justification for the centre can be sought.

IAN HUGO

Instruments

Gauge for fluid muds

HARWELL, IN association with British Ports Association, has developed a gauge that can be towed behind a survey vessel and will measure the density of fluid muds and silts.

The device will either measure the silt density at a fixed depth or will plot silt contours at pre-set density levels. It works by measuring the attanuation of gamma rays as tha silt flows between a radioactive source and a detector and is linked to a shipboard data processor and display.

The deviva is to be developed commercially and marketed by Edwards Marine Systems of Yeovil, Somerset (0935 24852).

Software

Project scheduling

MICROSOFT HAS announced a project schaduling and costing program to run on the IBM personal compnter and compatible machines.

Aimed at those responsibla for planning and executing business projects ranging from simple dapartmental schemes to complex or linked projects, tha software allows users to see, at any stage, tbe financial and operational implications of changes.

BIOTECHNOLOGY

Ferment of activity in Dyfed

WHEN THE dairy closed down in Newcastle Emlyn Dyfed, in Wales, unemployment seemed to be the workers' only future. Local farmers suffered when they were hit hy EEC milk production quotas. An innovative project by the Biotechnology Centre, University of Wales, however, heralds a brighter future for the Teifi valley. "We're planning alternative markets for milk prodncts," explains its director Dr Rod Greenshields. "Yogurt, for example, is mostly imported. We will produce it locally with Dyfad milk and bome grown fruit. We also aim to mannfacture milk liquers." This is just one of the projects being developed at tbe Biotechnology Centre in Swansea.

Fermentation is the centre's speciality. It has established a company, Eidawn Fermentations to design and build its own hardware. It deals chiefly in small computarised fermentation systems. Rod Greenshields is confident that the potential for growth is high: "Only one other British company specialises in this area."

Industrial collaboration is also encouraged. In association with Satec Limited of Crewe, BCW is devising a fast fermentation technique to recover protein from animal slurry so that the nutrients can be fed back to the animals.

"As well as recovering waste protein, we're experimenting with using fungus to recoup metals such as cadmium from water," Dr Greenshields says. "Tests on cadmium have proved successful, so we're anticipating adapting this method to conserve rare matals. Eventually we're hoping to develope a biological way of recovering radioactive wasta.

"BCW provides an interface between the University of Wales and industry," Dr Greenshields explains. "Academic researcb is therefore put to good use in the marketplace. Simultaneously, we offer a consultancy service to industry, and give University College Swansea's students first hand experience of business by employing them on industrial projects."

Although international collaboration is encouraged with biotechnologists overseas, the centre was set up to service the needs of Wales. Liaison with other academic institutions in tha principality continues on a daily basis, and BCW organises annual biotechnological conferences.

Schools also benefit from its work. A company, Eldawn Bio Supports, has been set up to sell cheap "bug beads" (live bio-organisms stored in beads) for use in school science experiments and sixth formers are invited to the centre's carears advice sessions.

Biotechnology is a growth area in Wales. As the traditional industries of coal and steel close down thare is a desperate need for new technology. Biologically orientated companies are moving in — waste recovery firm Biomass International is establishing a base in Clwyd, creating 200 jobs. As tha Dyfad dairy project illustrates, the Welsb economy benefits from biotechnology. And Dr Greenshields is convinced that BCW will set the pace for future innovation.

IOLA SMITH

APPOINTMENTS

Upper echelons at Barclays Bank

The following senior appointments have been made by BARCLAYS BANK effective from January 1: Mr Laurie King, Mr Robert Whitlet and Mr George Maddison become deputy general managers, personnel department. Mr Peter Wood is appointed treasurer and Mr Raymond Waterson deputy treasurer. Mr Don Lonsdale becomes divisional general manager, management services department. Mr Gordon Alexander and Mr Syndercombe Coleridge are appointed divisional general manager and deputy divisional general manager respectively, in corporate division.

★

GUINNESS PEAT GROUP has appointed Mr John M. Thomson to the board as a non-executive director. He is a deputy chairman of London and Manchester Group.

★

RAVENSDOWN GROUP has made the following appointments: At RDM Metals Stockholders (Midlands), Mr Tony While, previously chief executive/general manager, RDM Metals (West Midlands), has been appointed a director of RDM Metals Stockholders (Midlands). Within that company Mr John Nicholson is to be chief executive and general manager, RDM Metals (East Midlands) at Derby and Mrs Rosemarie Wright is promoted to the same positions at RDM Metals (West Midlands) in Birmingham. At RDM Metals Stockholders, Mr John Ainsworth has been appointed general manager, RDM Metals (London), Mr Ian Maclean retaining his position as chief executive of RDM Metals (UK) with overall responsibility for the Iver complex of stockholding units.

★

Following the formation of a joint management board for the *Young's and Ross Foods* businesses of IMPERIAL FOODS, Mr Norman Young, the chairman and chief executive of Young's Seafoods, and a director of Imperial Foods has decided to seek opportunities outside Imperial Foods. Mr Young will relinquish his position as chairman and chief executive of Young's Seafoods and as a member of the joint management board on July 31. He will, however, remain a director of *Imperial Foods until October 31.* Mr John Foulkes, chairman and chief executive of Ross Foods, will in addition be appointed chairman and chief executive of Young's Seafoods from August 1.

★

Mr D. L. Bernstein, commercial director of Dan-Air Services, has been appointed to the board of the parent company, DAVIES & NEWMAN HOLDINGS. Two associate directors of Dan-Air Services have been appointed directors—Mr John W. Varrier, general manager scheduled services division, and Mr E. Malcolm Davies, associate personnel director.

★

Mr Nicholas Branch has ceased to be a director of LARPENT NEWTON AND CO. He has become *chairman of* Chartfield and Co (London) and Chartfield and Co Inc (New York). Mr Donald R. Saunders has been appointed a director of Larpent Newton and Co.

★

Mr James Eyles has joined STC in the newly-created position of director, international business. His role is to review worldwide business opportunities, identifying gaps in the current operations and co-ordinating activities internationally and within any country. Mr Eyles was downstream-oil director and deputy head of Shell's regional centre for Latin America and the Caribbean in Caracas.

Mr James Eyles, director, international business, for *Standard Telephones and Cables.*

★

Mr Stanley Bennett, who has been the *PEARL ASSURANCE* COMPANY'S surveyor since 1977, become a non-executive director on October 1, following his retirement at the end of September. Mr Bennett's successor as surveyor is to be Mr John Case, who joined Pearl on July 2.

★

Mr A. J. S. Duckworth and Mr W. J. B. Girardet have retired *from the board of* PHILIP HILL INVESTMENT TRUST.

★

Mr Robin Christie has relinquished his post as company secretary of TAYLOR WOODROW but will continue as a director. Mr Richard Morbey has been appointed company secretary in his place. He was company secretary of Taylor Woodrow International.

★

Mr Geoffrey O'Connell has been appointed to the board of BELLWAY SERVICES, a subsidiary of Bellway. Mr O'Connell has been associated with Bellway as a consultant over the last three years.

★

Sir Jasper Hollom has been appointed a director of EAGLE STAR HOLDINGS and EAGLE STAR INSURANCE COMPANY.

★

Mr George Cross has joined MANAGEMENT APPOINTMENTS as a director. He was previously with Korn/Ferry International in London.

★

Mr G. S. Locke, previously managing director of Turner & Newall's subsidiary Ferodo (Pty), South Africa, has been appointed sales director of COOPERS FILTERS, a T&N subsidiary in the UK.

CONTRACTS

£13m MoD order for Thorn EMI

A £13m contract has been placed with THORN EMI ELECTRONICC by the Ministry of Defence for an advanced new type of hand-held thermal imager for service with the British Army. Weighing less than 5kg it is suitable for a wide range of uses requiring a high degree of mobility—such as reconnaissance, mortar fire control and forward observation. The hand-held thermal imager operates by detecting radiation of infra-red energy. Completely independent of ambient light, it can also "see" through *smoke, haze, mist and* most forms of camouflage. Unlike image intensifiers, it is not blinded by flares or searchlights and exhibits the same characteristics by both day and night.

★

A contract, valued at around £10m, has been awarded by the Ministry of Electricity and Water, Government of Kuwait, to BICC SUPERTENSION CABLES of Erith, Kent. The contract is for the supply and *installation of over 25 Km of* 132 kV oil filled cables, 88 Km of pilot and telephone cables with all associated accessories. Installation *of the cables will* commence in 1985 and is scheduled for completion in early 1986.

★

HARRIS CORPORATION of Melbourne, Florida, has been awarded a contract by the U.S. Navy for computerised avionics test systems and associated support services. Valued at more than \$13m (£10m), the Navy order calls for 16 additional production units of the Harris Series 2000 automatic test systems, which are used for high-speed check-out of avionics equipment on aircraft such as the F/A-18, F-14, A-4, A-6E, EA-6B, AV-8B and the LAMPS Mark III helicopter. The contract was awarded to Harris' Government support systems division, based on Long Island, NY.

★

TREND COMMUNICATIONS, the data communications division of Phicom, has received a contract to supply the British Army with £5.6m worth of teleprinter equipment designed to Tempest requirements.

★

PLESSEY has won a NZ\$11.5m (£5.47m) contract to provide a secure, all-digital defence communications network to replace New Zealand's existing defence communications system. The contract will create an infrastructure for telephone, telegraph, data and facsmile transmission using elements of MRS, the multi-role system developed by Plessey Defence Systems based at Christchurch in the U.K. The contract provides for the delivery of MRS-standard systems, hardware, and software, with common logistic support under Australian and New Zealand co-operative defence arrangements. The network will be based on switching node installations in the major New Zealand cities Auckland, Christchurch and Wellington, with user terminals at military sites in the north and the south islands.

★

A £2.6m contract to convert the former Guildford office of the AA into a cable television centre has been won by LOVELL CONSTRUCTION (SOUTHERN). Work, for Rediffusion Vision, has started and involves the construc*tion of a three-storey extension* of around 1,400 sq metres. The project will be completed inside 12 months. Electrical and mechanical engineering and the acoustic requirements of studios form a large part of the conversion.

Retail sales volume up by 1.2% on month

BY PHILIP STEPHENS AND LISA WOOD

SPENDING in the shops rebounded last month to just below the record levels reached in April, according to official figures released yesterday.

The Department of Trade and Industry said that the volume of retail sales rose by 1.2 per cent in June after falling slightly in the previous month.

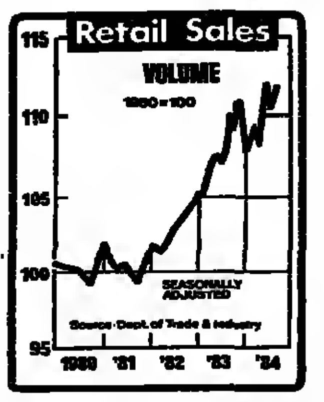
The increase, which was above most expectations, took sales in the second quarter of 1984 to about 3 per cent above the relatively depressed level in the first three months of the year and to 4 per cent higher than in the April-June period in 1983.

Much of the rise came from a surge in sales of clothing and footwear, but retailers reported that turnover of other consumer goods also remained healthy. The department's index rose to 112.0 in June from 110.7 in May and compared to a record 112.2 in April (1980 = 100).

The figures tend to support the Government's view that consumer spending, so far the main impetus to economic recovery, will remain buoyant this year.

Most outside analysts believe, however, that the recent rise in bank interest and mortgage rates will limit the rapid expansion of consumer credit that has up to now financed much of the spending spree.

The personal sector is a net beneficiary of higher interest rates – bigger returns paid to savers outweigh the extra interest charges on borrowers – but the extra cash is more likely to be channelled into increased saving than into spending.



The ratio of personal saving to earnings is also at an historically low level, so most independent forecasters expect consumer spending during the year as a whole to rise by closer to 2 per cent than the 3 per cent forecast by the Government.

Retailers are hoping for 3 per cent real growth this year, despite the present industrial unrest and the increase in mortgage rates.

"Dearer borrowing will inevitably effect us, but it depends on how long rates stay high," the Retail Consortium, which represents some of the largest businesses, said.

Mr David Johnson, chief executive of Rumbelows, a big electrical goods chain, said; "We will not see a sudden downturn in consumer spending. But we do need the industrial unrest out of the way before confidence starts to ebb."

Minet refuses to raise £38m offer to Lloyd's underwriters

BY JOHN MOORE, CITY CORRESPONDENT

MINET HOLDINGS and Alexander & Alexander Services, two large insurance broking groups, yesterday refused to increase a £38.14m compensation offer to Lloyd's underwriting members whose funds allegedly have been misappropriated.

Representatives of a 14-man steering committee yesterday met with Minet in an effort to secure a better settlement before a deadline for acceptance of the compensation offer. The deadline is on Thursday.

The offer was made after Minet alleged that former underwriting executives had misappropriated, more than £38m belonging to 1,500 underwriting members over 14 years.

The appeal to Minet was made yesterday after the completion of a special accountants' report prepared by Price Waterhouse for the steering committee. The committee represents 160 underwriting members who are concerned that insufficient information has been given to them about the proposed compensation.

Price Waterhouse has calculated that up to £40m in interest on alleged misappropriated funds of more than £38m may not be accounted for.

The underwriting members face huge tax penalties and liabilities which the Inland Revenue intends to seek, irrespective of whether or not underwriting members accept the offer. The Inland Revenue has indicated that it will be seeking tax payments of £16m on the alleged irregular trading.

This could rise to £30m once the Inland Revenue decides what penalties to impose and the amounts it regards as being in arrears on other underwriting accounts.

Minet has made its compensation offer with Alexander & Alexander Services, the group which owns Alexander Howden. It has been alleged that former executives of Minet used Howden companies to channel the underwriting members' funds offshore to companies owned by the former executives.

At yesterday's meeting, representatives of the steering committee were told that the deadline would have to stand because of Lloyd's insistence that its solvency deadline of July 21 must be met. Underwriters affected by the problems at Minet have to show that they can meet £37m of underwriting losses which have fallen on the syndicates which they form at Lloyd's.

So far, 500 underwriting members have indicated that they will accept the offer. At least 100 underwriting members are expected to turn it down.

Wedd Durlacher and Lehman end dispute

BY OUR CITY CORRESPONDENT

WEDD Durlacher Mordaunt, one of the biggest UK stockjobbers or market makers, has settled a $2m dispute with Shearson Lehman American Express, part of the American Express group.

Wedd Durlacher last month announced that it was ceasing business with American Express because of the litigation which had been brought by the subsidiary.

As a result of the settlement, both sides said yesterday that "it is anticipated that the excellent relationship which had existed between Shearson and Wedd Durlacher prior to Shearson's acquisition of Lehman Brothers will continue."

The action arose when Merrill Lynch sued Wedd Durlacher last November over the collapse of C. and R. Pastor Securities, a Panamanian investment company. At the same time, Lehman Brothers sued Wedd Durlacher in the litigation over alleged fraudulent schemes said to have been perpetrated by C. and R. Pastor and affiliated companies.

Both sides said yesterday that they did not believe that such proceedings "are in their best long-term commercial interest."

Under the terms of the agreed settlement neither Lehman Brothers nor Wedd Durlacher will pay any amount to the other and each party will pay its own costs.

Until the conclusion of the action, Lehman Brothers was seeking up to $2m in damages.

Market value of Jaguar put at £330m plus

By John Griffiths

JAGUAR CARS is likely to be floated on the London Stock Exchange at the end of this month with an offer price of 185p-200p a share, providing a market capitalisation of between £330m and £360m, in the view of brokers James Capel.

Capel's presentation yesterday of its assessment of Jaguar's prospects coincided with fellow brokers Simons & Coates stating its view of the luxury car maker, at present part of state-owned BL.

While there were considerable risks attached to the business, Simons & Coates said "in our opinion these are well covered by any selling price below £300m and the Jaguar offer for sale will present an exceptional buyer opportunity."

James Capel forecasts 1984 pretax profits of £85.5m, after £51m last year. This would yield per share earnings of 30.7p. For 1985, the broker forecasts profits of between £90m and £115m.

Busy start for London currency options

LONDON'S new currency options market got off to a busy start yesterday, although more people seemed to be wanting information than making actual deals.

Mr Peter Scott, joint managing director of Butler Treasury Services, the money brokers who are putting prices on Reuters and Telerate screens and acting as a focus for the market, said the response had been "phenomenal." He declined to say just how much business had been done, however.

Currency options are a form of hedging instrument in foreign exchange. They are actively traded in Philadelphia, Montreal and Amsterdam. Until yesterday they had only been traded on a one-off basis by banks in London.

Most of the major U.S. and UK banks are now writing options in the dollar and leading European currencies but smaller markets are developing as well. Privatbanken, a Danish bank, has begun to write options in Scandinavian currencies.

● **MR NORMAN WILLIS**, deputy general secretary of the Trades Union Congress, had a clear lead when nominations closed yesterday for the post of general secretary.

His supporters calculated that unions had committed more than 5.2m votes in his favour. His opponent, Mr David Lea, had just over 2.3m votes. Mr Len Murray, the present general secretary, is to retire.

● **AMOCO**, the U.S. oil company, has been given approval by the Government for an £80m plan to recover more gas from the Leman field, the biggest of the UK's North Sea gasfields, Amoco will install a production platform with a capacity of 300m cu ft per day.

Mr Alick Buchanan-Smith, the Energy Minister, said the Amoco plan would allow a further 272bn cu ft of gas to be recovered.

● **DAIRY FARMERS** in Britain are making a massive switch to beef production because of the EEC milk cutbacks, according to the Milk Marketing Board.

Tebbit supports an intermediate body for City of London

BY PETER RIDDELL, POLITICAL EDITOR

AN INTERMEDIARY and co-ordinating body between the Government and self-regulatory agencies in the City of London's financial services sector was tentatively backed yesterday by Mr Norman Tebbit, the Trade and Industry Secretary.

Opening the house of Commons debate on the Gower Report on investor Protection, Mr Tebbit noted and cautiously endorsed the recent movement of opinion in parts of the City away from a new framework based solely on self-regulation. A detailed White Paper (policy document) will appear this autumn.

Mr Tebbit's speech was intentionally guarded although he twice firmly stated that the deadline in 1986 to start the end of fixed Stock Exchange commissions would, and must, be met. This underlines the Government's rejection of complaints about the speed of change made by some dissident stockbrokers and expressed by some Tory MPs during the debate.

Stressing that he had not yet come to final conclusions, Mr Tebbit said he was inclined to the view that "a number of self-regulatory authorities should be set up on a functional basis. They should be as few as possible in number and cover as much as possible of the field. Though voluntary bodies, they should have statutory backing."

"If the number of self-regulatory agencies were but one (clearly most unlikely) it would need no intermediate authority, it would be all things – indeed it would be in effect a voluntary Securities and Exchange Commission (SEC). If there were to be a proliferation of such agencies then a co-ordinating body, the intermediate body would be inevitable."

Mr Tebbit said he sensed "a degree of movement of informed opinion in recent weeks towards toning down the ideas of the enthusiasts for an SEC and an acknowledgement of a possible role for an intermediate body among those formerly devoted to the system of first-tier self-regulatory agencies alone."

Mr Tebbit said he was still prepared to listen to the arguments and to be convinced one way or the other. He stressed that such agencies could not just become cosy clubs and would need power to discipline members and to have an effective appeal mechanisms against expulsion or exclusion from the market.

His approach was criticised for giving an insufficient steer to his own thinking by Mr Peter Shore, Labour's Trade and Industry spokesman. A strong Securities Commission was favoured by Mr Shore to supervise the City of London markets.

The Government's policy since its deal with the stock exchange a year ago also faced criticism from two prominent Conservative MPs with stockbroking connections, Mr Peter Tapsell, and Mr Anthony Beaumont-Dark.

Mr Tapsell said he would have preferred the present commission structure to remain but, if not, he thought that events were pointing towards a full-bloodied Securities Commission. He also warned about the dangers of a series of frauds in the City of London as a result of changes in the structure of the stock exchange.

Mr Tebbit had stressed in his speech the need for tough action against fraud. He said that the standards required of licensed dealers in securities might be extended throughout the investment business. People should be required to have appropriate financial standing and to conduct their businesses in a way which safeguarded the investor against malpractice.

Arts news is on Page 21

POLICY REVIEW URGES DEREGULATION OF DOMESTIC AIR NETWORK

Break-up of air routes signalled

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE HIVING-OFF to independent airlines of a substantial part of the state-owned British Airways' short-haul European network and some long-haul air routes is recommended by the Civil Aviation Authority (CAA) in its long awaited policy review.

The CAA also suggests that there should be a substantial deregulation of UK domestic air transport with a two-year experiment allowing airlines to fly on any routes they choose other than those serving Heathrow and Gatwick, near London, and an end to regulation of domestic air fares.

It says it does not believe that the reallocation of routes will diminish prospects of privatising the state airline.

British Airways said last night that it would resist any arbitrary reduction of its routes. Tampering with the airline's structure would only benefit foreign competition, it said.

Recommendations to the Goverment include:

● Lifting the proposed ceiling of 275,000 air transport aircraft movements a year at Heathrow, and revise upwards the limits at Gatwick.

● Permitting competition with British Airways at Heathrow, even if this means imposing some reductions on BA's frequencies and some reallocation of peak-hour landing and take-off slots.

● Giving the CAA more power to prevent or remedy anti-competitive behaviour, especially in the holiday charter and other markets. At the same time the CAA rejects the hiving-off of British Airtours, the BA holiday flying subsidiary, as a separate unit, or passing it to the independent airlines.

● Giving legislative backing to powers for the reallocation of routes. These powers would lapse once the reallocation had taken place.

The review, conducted at the request of Mr Nicholas Ridley, Secretary for Transport, aims to achieve a multi-airline policy in a competitive environment, even though the scope for direct competition between British airlines is limited.

"Such an environment is best suited for stimulating efficiency, improving service to users, encouraging innovation, facilitating substitution of airlines, and enabling British airlines to compete more effectively in foreign markets," the CAA says.

It does not necessarily accept that the BA routes to be reallocated should go to British Caledonian (BCal), but suggests that other short-haul airlines should be encouraged to bid for them, thus enhancing their competitiveness and moderating the present competitive imbalance to some extent.

On long-haul routes, however, the authority accepts that BCal is the most likely filler of the competitive role to BA and foreign airlines.

Reallocation of routes is the most far-reaching measure proposed in the review document. The CAA suggests that all BA's short-haul European routes flown out of points in the UK other than Heathrow should be passed to the independent airlines.

These include: Gatwick to Barcelona, Bilbao, Bologna, Copenhagen, Gibraltar, Lisbon, Madrid, Malaga, Naples, Porto, Stockholm and Valencia.

Aberdeen to Paris (via Glasgow).

Belfast to Milan (via Manchester).

Birmingham to Amsterdam, Dublin, Dusseldorf, Frankfurt, and Paris;

Edinburgh to Dusseldorf (via Birmingham).

Glasgow to Dusseldorf (via Manchester).

Manchester, to Amsterdam, Brussels, Copenhagen, Dublin, Dusseldorf, Frankfurt (via Birmingham), Milan, Nice, Paris and Rome.

In addition, the authority believes that such long-haul routes as Harare in Zimbabwe could be passed to BCal in conjunction with that airline's existing service to Lusaka, and that BCal could also serve Dhahran and Jeddah in addition in Riyadh.

Other opportunities for long-haul competition are limited owing to the intransigence of overseas governments. Only New York Miami, Toronto and possibly Australia offer opportunities, and perhaps also in the long-term Japan and points in eastern, western and southern Africa.

The CAA believes that if the short-haul European routes mentioned, and the long-haul routes also outlined, were passed to the independents (not necessarily to BCal), the net effect would be to reduce BA's scheduled service revenue by about 7 per cent.

In the longer term increased competition from other British airlines caused by these changes could further reduce BA's total scheduled service revenue by up to 4.5 per cent.

CAA says that BA's dominant position is a major national asset in some respects, but it also cramps the development of other British airlines, some of which also face strong foreign competition.

"On some international routes where competition is limited bilaterally, BA earns extremely handsome profits – in many cases earned from higher fares than the authority would have approved if the UK had been the sole regulator.

"BA is, therefore, well placed to use these profits to support expansion in other markets, and could, despite regulatory constraints, deploy this market power in any particular market where it chose to compete aggressively with other British airlines.

"The authority would wish to be in a position to prevent or remedy anti-competitive behaviour by any airline."

At the same time, the CAA does not want to weaken BA's scheduled service hub system based on Heathrow. For that reason it is only suggesting the transfer to the independent sector of the routes to Europe flown out of airports other than Heathrow.

"The authority believes that the national interest continues to be best served by providing opportunities for other airlines to enter the markets served by British airways, in direct or indirect competition or by process of substitution where competition is ruled out.

"They can do this only if they are enabled to grow and increase their market share."

"This in turn implies a need to reduce further the existing competitive imbalance in the industry. Without such correction, the authority is concerned that British Airways, given its strength and advantages, might emerge as Britain's one privately owned, but less than efficient, monolith."

Civil Aviation Authority: Airline Competition Policy, final report: CAP 500: CAA, London, £3.

Leading article, Page 12

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Tuesday July 17 1984

No revolution in pensions

MR NORMAN FOWLER'S discussion document on personal pensions ranges far and wide hut ultimately pulls some important punches. For the right wing theorists who started the whole argument rolling it will prove a severe disappointment because individual control over the investment of pension contributions will be minimal—they will he locked in various sorts of traditional investment institutions. And the decision not to force employers to make contributions into personal plans lets the occupational schemes off the book and severely limits the relevance of the whole portability idea.

More than anything else, the pronosals look like an attempt to dilule the scope of the State earnings - related pensions scheme, the only scheme from which individuals will actually have the right to demand rebated contributions for diversion into their own individual arrangements.

The background to the proposals is that some 11m employees are members of occupational schemes, the majority of which are contracted out of the State earnings-related schemes and membership of which is a condition of employment. But about the same number of people work for emnloves without occupational schemes. They must pay contributions to the State-earnings-related scheme, but may also voluntarily pay into so-called section 226 schemes on an individual top-up basis, subject to Inland revenue tax limitations.

Commitments

The Fowler proposals envisage that employees should have the right to refuse to join an occupational scheme. But if they did so, they would risk losing the whole of the benefit of the employers' contribution, which at present for staff schemes is typically 12 per cent of salary (though it varies significantly not only from scheme to scheme but also from year to year). In exchange, they would he entitled to rehated employers' national insurance contributions of 4.15 per cent.

This could still be worthwhile for rapid job-changers who do not expect to stay the five years in each scheme which qualifies them for something more than their own contributions back. There would he attractions, for instance, for younger women whose family commitments make their early career patterns erratic. But it would not he attractive to the average employee.

Arguably, it would he better for employees in contracted out schemes to be given rights more akin to those in contracted in plans—that is, they could qualify for the state earnings-related pension and then huy a supplementary personal plan. Oddly, this option does not seem to be on offer—presumably hecause of the Government's aversion to swelling the size of the State scheme.

Meanwhile the members of contracted in schemes appear to retain their existing position, except that it will be supplemented by the right to contract out of the State earnings-related scheme on an individual hasis. It is hard to imagine many circumstances in which this would be wise, although the higher paid could expect proportionately less benefit from the State scheme (which has an earnings ceiling) and proportionately more from the flexibility of an individual plen, including the cash commutation option.

As for the typical middle-to-upper income earner in an occupational pension scheme, the proposals do not seem to offer very mnch as they stand. To begin with, at least, employers are not likely to offer generous voluntary contributions into personal plans,

Bnt at least there is the possibility that managements and unions will change their negotiating tactics and bring pension contributions more directly into the bargaining arena. That will depend on whether companies are willing to forsake the "golden handcuff" characteristics of current schemes. Mr Fowler has not dared to be aggressive in this area, so at least for the time being the occupational pensions industry can breath a little more easily.

In this sense, Mr Fowler appears to bave missed his main target. He has widened the options for many people who did not really have mnch of a prohlem. And he has done it in a way which risks confrontation with the Labour Party over a perceived threat to the "safety net" consensus which has kept pensions ont of the political arena for the past decade. But the better-off, who are best qualified to run their own Investment affairs, will not find it easy to gain financial freedom under the proposals as they stand.

Balancing act in civil aviation

BRITAIN'S Civil Aviation Authority (CAA) has chosen a careful compromise between incompatible objectives in its final report on competition policy ahead of the privatisation of British Airways. The modest reallocation of BA's routes to the independent sector which it recommends does not constitute the radical restructuring of British civil aviation some had hoped for: BA's share of international scheduled services will fall from 83 per cent to about 75 per cent—a dominant position by any standards.

Yet it is not hard to understand CAA's caution. The Government, in the light of the hotched sale of Enterprise Oil, is sensitive to the need for a smooth flotation of BA, which remains the next privatisation candidate following the sale of the first tranche of British Telecom in the autumn. The reallocation of more of BA's profitable routes—especially its long-haul high-density destinations—would have seriously reduced its sale proceeds. In any privatisation of a public-sector monopoly there is an inevitable tension between the desire to hreak it up to foster competition and the need to retain its attraction for investors.

The CAA has had to negotiate a second dilemma: it does not want to impair BA's envied "hub and spoke" network at Heathrow, which it describes as a national asset, and yet it wants to increase competition in the domestic market. It is feared that the transfer of some of BA's international routes from Heathrow to British Caledonian (BCal) would have served only to foster the competitive position of BA's main foreign rivals. This "flagship" argument for sustaining BA's Heathrow monopoly is probably overstated. The long-haul and European routes out of Heathrow are tightly regulated by the terms of bilateral treaties; why should Britain plc's position he damaged if BCal rather than BA more often flies the flag?

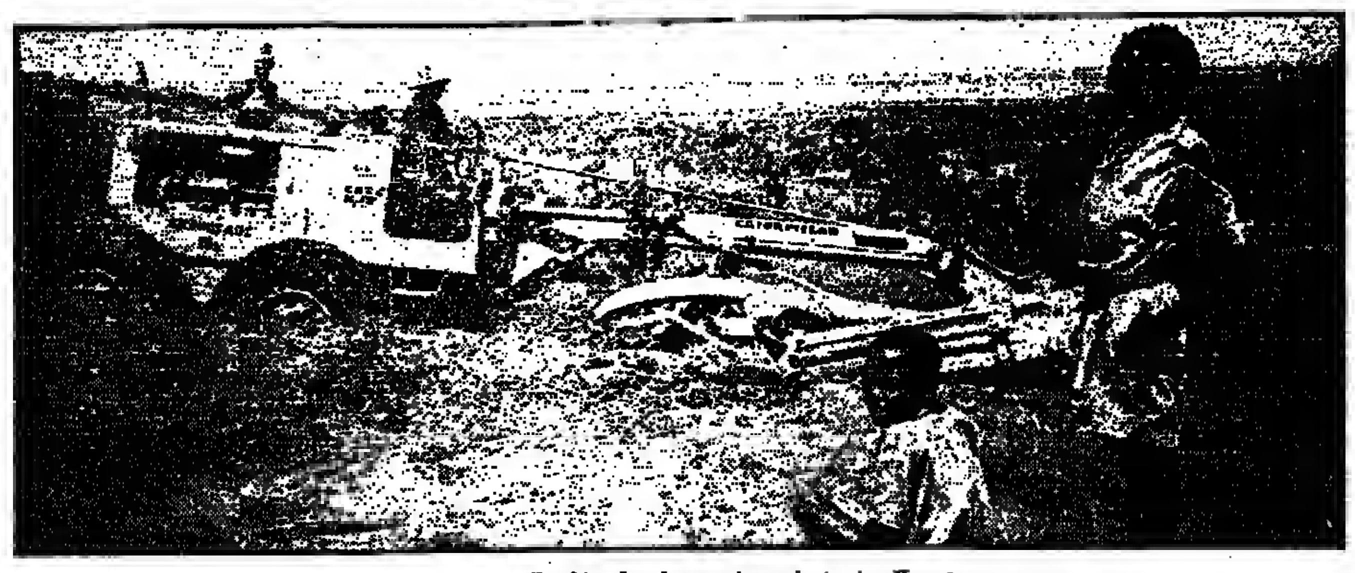
However, there is a further suggested justification for the CAA's reluctance to propose an immediate transformation of British civil aviation. While the route transfers will have only a small impact on BA — the short-term effect will be to reduce BA's scheduled service revenue hy a modest 7 per cent —they will have a much more significant effect on the independent airlines simply hecause BA is so large. The CAA's proposals to transfer BA's Saudi Arabia and Harare routes to BCal are conditional on BCal demonstrating that it can raise the equity and loan capital necessary to fund the expansion.

The CAA estimates that the effect of its proposals over the next two to three years will be to double BCal's size as measured by turnover, aircraft fleet and so on. The implication is that the transfer of more long-haul routes would stretch BCal too far.

Hearings

It is unclear whether the procedure for reallocating BA's routes is ideal. The CAA suggests that the two intercontinental routes are handed specifically to BCal; but the transfer of BA's European services from airports other than Heathrow is to be conducted through the usual route allocation hearings. The CAA will award them to the airline that it thinks will deploy them best. The CAA is explicitly ruling out any sort of economic allocation system. Route licences, it says, are not property and cannot be "sold" or hid for. Thus BA will not require financial compensation for loss of some of its licences.

The Government should not yield to demands to water down further the CAA's modest proposals. It may, for example, come under pressure to allow BA to keep its European flights from Gatwick. Although the CAA has accepted that it would be desirable to have British airlines capable of flying to any of BA's destinations (so that BA can be threatened with the loss of a route), hindsight is more likely to suggest that it has been too timorous rather than too bold this week; it has not, for example, demanded that BA hive off its charter operations. When BCal was set up a decade ago, it lacked the resources to become a genuine "second force" airline. The same mistake may have been made this week.



One of the Bank's development projects in Kenya.

The World Bank

The 'hobbled giant' at a crossroads

Stewart Fleming reports from Washington

Mr A. W. Clausen, World Bank president.

Mr Beryl Sprinkel: sounded a warning.

"THE HOBBLED GIANT" is the unflattering way in which Mr Stanley Please, a former senior executive at the World Bank describes the $55bn Washington-based financial institution which is the largest single source of development funds for the world's poorer nations.

The description is particularly painful for the Bank's top executives, for it cruelly encapsulates a view of the lending agency which is widely shared both inside and outside its headquarters.

At a recent seminar for its executives, Mr Paul Volcker, chairman of the Federal Reserve Board, asked pointedly why the Bank, which is committing some $15bn of new loans a year, has not been doing more to help the world cope with the international debt crisis.

Bank officials retort that they have, quietly, been doing more than they have been given credit for, and would have done even more if key shareholders, particularly the U.S., were prepared to support them more vigorously.

But they also complain regularly that the Bank's expertise is "underutilised." Mr Eugene Rotberg, the treasurer and the man responsible for raising more than $10bn a year on the international markets says that if its shareholders approved the use of a wider array of financial instruments, the bank could tap a larger share of world savings for transfer to the developing world.

"The Bank is at a crossroads not only in terms of the kind of lending it will do, but also the volume," he adds.

At the beginning of the year, as part of an exercise aimed at laying the ground work for an increase in its capital, a dozen task forces within the institution set out to define "the future role of the Bank."

But its desire to play a larger role in development finance seems bound to stir up major controversy among the 144 goverments which own the institution, and divide the developed nations from the developing ones.

For if the Bank is to persuade the industrial countries that provide the backing for its loans that it can do more to help Third World development, it will have to demonstrate that its resources will not be wasted.

The clear implication—and it is one which some Bank officials are not ducking—is that broader conditions, more closely integrated with the programmes of the International Monetary Fund, will be attached to bank loans.

Bank's expertise is said to 'underutilised'

The developing countries are extremely worried about this. "If this is the price to get a capital increase, I am not prepared to pay that price," says one bank executive director representing developing countries.

The climate in which the Bank's planning exercise is being undertaken could scarcely be worse in one sense, or better in another. Developing countries, burdened by debt, recession and in 1983 net outflows of capital of around $21bn, are desperately in need of the sort of funds which the World Bank supplies.

But there is a profound scepticism amongst some industrial countries which finance international lending agencies such as the Bank about just how effective their operations have been. This has been underlined by the struggle the bank was faced to secure a 3-year $9bn increase in the resources of its soft loan affiliates, the International Development Association.

Bank officials recognise that they are walking a tightrope. If they can draw up a plan for the future which has consensus support among shareholders, either the institution should be able to take on a broader role.

The alternative is that its influence and its reputation could begin to wane—something which, it is widely believed, its largest and most influential shareholders, the United States, would dearly like to see.

A full-scale debate about the role of the Bank is expected at the annual meeting of the IMF and the Bank in Washington in September. But at the Lodon Summit in June the developed countries gave a sign of the way some, if not the U.S., are thinking—at a time when the ? ? ? problems of developing world are playing so crucial a role in the health of the world economy. The summit communique called for the Bank and the IMF to examine the opportunities for closer co-operation.

In part, this stems from a wider acceptance that the world debt crisis is not the transitory phenomenon assumed two years ago, but if not treated will gnaw away at the economic development prospects of some countries for a decade or more.

The logic of closer co-operation between the two sister institutions has thus become inescapable, the argument runs.

The IMF, with its focus on macro-economic policy steps, aimed at rapidly correcting the balance of payments problems of a country, is essentially a short-term financing institution. The World Bank has a longer time horizon. It has a contrasting grass roots micro-economic expertise, traditionally in fostering economic development through financing projects such as irrigation schemes or industrial plants.

But increasingly since 1980 it has been expanding its lending to whole sectors such as export industries or agriculture and, some say, belatedly paying more attention to the broader economic policy framework. Officials point to the structural adjustment lending programme for Turkey as an example of the trend.

As Mr Beryl Sprinkel, U.S. Treasury Under-Secretary for Monetary Affairs says: "It's not enough to select good projects, if at the same time the nation is pursuing broader economic policies that almost certainly will prevent development in that country."

But Mr Munir P Benjenk, vice-president of the bank for external relations, who retires this summer, says: "on the basis of 30 years of experience (I believe) that that these capital flows (to developing countries) whether private or public, whether loans or aid have a good chance of being wasted if they are not linked to conditions of sound economic use."

Mr Benjenk describes as "a dialogue of the deaf" the debate between the developed and the developing countries with industrial countries holding out for less money and more conditionality and the developing countries for more money and less conditionality." The real need is for more money and more conditionality," he says.

It is argued that by working more closely together, the IMF and the Bank can contribute to the formulation of a longer term economic strategy for a country better than the IMF alone. Indeed, IMF officials say they are already making valuable use of the bank's experise. They can also try to ensure that the funds put into a country are used more effectively. The short-term macro-economic conditions associated with an IMF programme will, it is suggested, lead naturally into the monitoring and conditions attached to World Bank lending.

To developed countries which want to see the funds they are providing used efficiently the logic of the approach has its attractions.

For the borrowers, however, the idea of closer co-operation between the IMF and the Bank, and longer term monitoring of their economies across the broad range of activities which the Bank tends to involve itself in, is a rather more questionable prospect.

Treading the narrow line between effectively monitoring its lending, to satisfy the industrial donor countries, and sensitively responding to the anxieties of the developing countries promises to be fraught with difficulty. It will, for example, demand considerable progress in the way the IMF and the World Bank, institutions with very different attitudes, work together. Some officials are suggesting that it might be best if, in a particular country, the two decided which was to he the "lead" agency in negotiations. Others fear the danger of formalising the nascent co-operation that is already evolving.

While the bank's role in heavily indebted developing countries is bound to be a focus of attention, the Bank itself has a much broader agenda for the future around which it hopes to build a consensus of support.

Officials talk of the "catalytic role" of the bank as an institution which can use its expertise and its conditionality to stimulate other institutions, especially commercial banks, to provide funds to developing countries. With the debt crisis, bank lending which dominated the capital flows to the Third World in the 1970's has virtually dried up.

Officials now say prospects are much brighter for more joint financing with, for example, commercial banks. Recent loans to Colombia and Paraguay co-financed with banks, are evidence of innovations which the bank says will encourage increases in vital capital flows to developing countries.

Some see a prospect of the commercial banks piggybanking on the Bank's operations in a similar way to the relationship they have developed with the IMF.

Bank officials suggest, too, that it is no longer intelligent to think of the world in simple North-South terms of developed and developing countries, for there is a growing difference between the economic performance of even newly industrialised developing countries (Nics). The Asian Nics, for example, have managed their economies much better than those in Latin America. For this reason, it is argued, the bank will have to devise a wider palette of products for different markets.

The awareness that foreign aid no longer commands the support it did in the 1960s and early 1970s in the developed countries is also leading the bank to focus on ways in which it can boost and stretch its resources without having to call on its shareholders for more capital. Better menagement of its liabilities and assets and the creation of a new affiliate—the world bank's bank as it is known — are being looked at.

As the planning process proceeds, the question of how to muster support among the shareholders will loom larger. Already, in a major departure from the approach adopted in 1976-77 when Mr Robert McNamara was the Bank's president, Mr A. W. Causen, the current president is involving the shareholders at a much earlier stage in the debate.

Global economic developments—such as growth trends and interest rates in the industrial world—will be the decisive determinants of how quickly developing countries emerge from their current difficulties. But Mr Clausen knows that the world bank's contribution will hang on his ability to build a consensus about its future direction.

Many officials talk of a 'catalytic role'

It is a daunting task, given the scepticism of some industrial countries about the bank's effectiveness and the antipathy which the Reagan Administration has demonstrated towards the institution. In spite of the Summit statement, there is little evidence of any softening of U.S. attitudes.

Dr Sprinkel, for example, subsequently warned that the bout's shift towards loans tied to broad economic policy objectives had gone far enough —a position apparently designed to curb the Bank's ambitions. And he bluntly added: "We do not believe this is an opportune time to consider providing additional funding for the World Bank."

Men and Matters

Not quite plain sailing

A breakfast meeting between Ken Siddle, chain-smoking chairman of European Ferries, and his two principal critics may have taken the heat out of yesterday's shareholder meetings to consider curbing the company's cheap fare perk.

Siddle and his fellow directors had a smoother passage at their second attempt to alow the growth of cut price sailings.

But they still faced harsh words and tough questions from Stephen Pettie and Serge Lourie, chief dissidents since the original shareholders' action group accepted Euroferries' modifications to its original plan.

Pattie, aged 27, bearded, and a dealer in pictures, and Lourie, 38 and a chartered accountant, make an unlikely duo. The two met on the way back to the tube station from the first series of shareholders' meetings at London' Park Lane Hilton on June 22.

As befits the chairman of the UK Housing Trust and an SDP councillor at Richmond, Surrey, Lourie made a measured attack on the board. Pattie went in harder with harsh words for Euroferries and Warburg, the group's merchant bank adviser, and called for a no-confidence vote in the merchant bank.

Siddle, who admitted to being uncomfortable facing a hostile meeting, earned a round of applause from shareholders, in spite of their earlier truculence.

He showed signs of being rattled only when he advised someone that sending out a questionnaire to asses opinions would have ended in total chaos. "You're in that already," came the quic kreply.

Pattie, Lourie and their supporters continue their fight before the High Court later this month. Eve nif it fails, the two dissidents are thinking of widening their campaign for shareholder democracy to other companies.

"Hi, remember me? I stayed a few days with you in the French Alps earlier in the year."

Word processors

Patrick Spens, managing director of Henry Ansbacher, the London and U.S.-based merchant bank, is clearly delighted at the way his bank has performed when handling acquisitions in the media field — deals worth $170m in the last 12 months.

Spens intends Anshacher to develop its media-operation division. He doesn't see any reluctance to invest in newspapers and magazines and brushes off any suggestions that the industry's chequered record in the industrial relations field will deter buyers.

He sees Ansbacher's growing role as a logical development of the modern merchant bank. "The pattern is changing," he says. "The greater development of specialist areas is going to be an important thing in the near future."

The Anshacher attack in the media area has been boosted by the arrival of Christopher Shaw, the British publishing whizz-kid who went to the U.S. eventually joined Bankers' Trust and now is working for Anshacher which bought him and a team to specialise in the media field.

Latest deals pending completion include United Newspapers' acquisition of trade publishers MacLaren and the sale of book publishers David and Charles to Reader's Digest Association.

Duke's dale

Although the Duke of Devonshire has attracted the headlines this month as a seller of works of art — he netted over £13m by disposing of 71 of his Old Master drawings through Christie's — he is perhaps best known in the art world as a buyer, just about the only aristocrat who can still afford to be a patron these days.

He is very keen on the works of Lucien Freud but has recently added some much cheaper paintings to the Chatsworth collection. He could hardly avoid doing so since the dealer involved was his son, the Marquess of Hartington, and the "gallery" is the creation of his Duchess.

The Marquess has inherited the collecting passion (visitors to his home at Bolton Abbey in Yorkshire's Wharfedale are surprised to see Hockneys confronting Old Masters on the walls and he conceived the idea of inviling contemporary artists to paint their impressions of Wharfedale, part of his estate which in the past has attracted artists like Turner, Girtin and Cox.

London dealer Francis Kyle supplied the nine artists, who include the minaturist Liz Butler, Graeme Wilson and Ian Gardner, and the finished works are on show et the Devonshire Arms, the local Bolton Abbey pub which the Duchess has overhauled into a luxury hotel.

Buying has been brisk, with the family to the fore, and now the artists are at work depicting Wharfedale in summer in time for the exhibition to move to Manhattan in the autumn.

After Harewood

Peter Jonas, 37-year-old London-born artistic administrator of the Chicago Symphony Orchestra has just captured one of the more unenviable top jobs in the London arts world, managing director of the English National Opera.

Unenviable not because of any great crisis—the company has just returned from a successful U.S. tour — but because he succeeds Lord Harewood, who for 13 years has ruled the company like an enlightened monarch.

Lord Harewood is retiring at 63 to devote himself to his seignurial interests at Harewood House, his home in West Yorkshire.

Jonas has been at Chicago for ten years, first as assistant to Sir George Solti and later in charge of administration. A tall, slim, silver-haired figure, he is no newcomer to opera.

He studied at the Royal College of Music before seeking his fortune in the U.S. and has been responsible for two opera productions a year in Chicago.

But with the musical team—Mark Elder and David Putnam—staying on at the ENO, Jonas's main contribution will be on the financial side, perhaps trying to push up the ENO subscription list to 89 per cent of the audience, as it is in Chicago.

If he needs any advice on musical matters, he need look only as far as his wife—soprano Lucia Popp.

Observer

THE EUROBOND MARKET

The challenge from America

By Maggie Urry

WALL STREET investment bankers can hardly disguise their glee; European bankers are stoically unworried. The issue that divides them is the future of the Eurobond market, now that the U.S. Government has decided to repeal withholding tax.

The 30 per cent tax deducted at source on income paid to foreign investors who hold U.S. domestic bonds—issued by both companies and the Treasury—has deterred Europeans from buying the bonds.

Instead, they have turned to the Eurodollar bond market where interest is paid gross. As a result, investors are prepared to accept lower interest payments in the Eurobond market and borrowers can raise money more cheaply there than in the U.S. market.

The Eurobond market has grown spectacularly in the 21 years since the first issue was made. Last year Eurodollar bond new issues raised close to $40bn, and a further $24bn in the first half of 1984.

Once U.S. bonds and Eurodollar bonds are put on the same tax footing, will European investors regard them as the same, causing the two bond markets eventually to merge and new issue activity to shift to New York?

The idea of the whole market

U.S. companies may try to issue 'universal' securities

moving to New York is "plainly ridiculous" to senior European bankers. Even those in New York who stand to gain most do not go that far. But Mr John Hyland, a managing director of U.S. house Paine, Webber, says: "In the face of a significant change like this, the long-term need for separate markets is far less persuasive."

Mr Hyland heads the committee of the U.S. Securities Industry Association (SIA) which has been pressing hard for withholding tax repeal.

At present, U.S. companies target bond issues at different markets, with the deals structured and distributed according to each market's different practices. In future they could try to issue "universal" securities and sell them worldwide, on the same terms.

Under current U.S. regulations, non-U.S. underwriters cannot "lead manage" issues which are sold, even in part, in the U.S. Nor can U.S. commercial banks. That would leave the big business to the New York securities houses, and that's where the fight starts.

The U.S. houses argue that they are best placed to advise U.S. companies how and where to raise capital. The European banks say that only they can sell bonds to European investors. A couple of recent Eurodollar bond issues by big U.S. corporate names—Coca-Cola and Texaco—were lead managed by just such a group of European banks and a U.S. commercial bank, which would not be allowed to bring that kind of deal in New York. They showed that U.S. companies could still get a better deal from the Europena houses—though, given the current uncertainties, the banks involved were doubtless keen to make precisely this point.

The Europeans have strong arguments on their side. The head of new issue syndication at one Swiss bank says: "The U.S. investment banks in New York do not understand European clients." A German banker explains: "The Eurobond market is different. The private client plays a very large role."

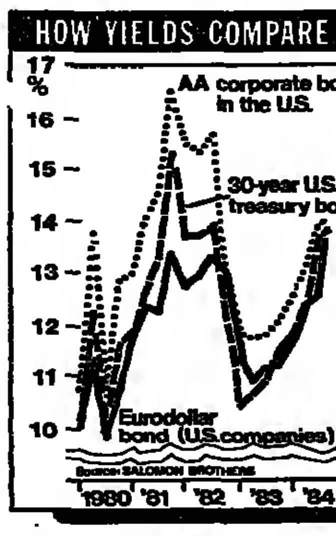
Though private clients vary widely many of them are professional people, such as lawyers, doctors and dentists.

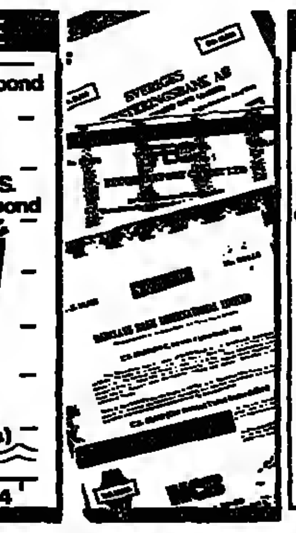
Their likes and dislikes have largely shaped the way bond issues are done in Europe.

Private clients want to keep their identities secret. Eurobonds are issued in "bearer" form — whoever holds the paper owns it. There are no registers of bondholders, and income is paid when a coupon on the bond is cut out and handed over.

European investors are not necesarily trying to dodge taxes. "They just don't like filling in forms," says a Swis banker who prefers to keep his identity secret.

U.S. bond issues, on the other hand, are made in registered form, a U.S. government regulation designed to stop its citizens from tax-dodging by holding bonds. But the U.S. Treasury is now considering new regulations allowing bonds issued in the U.S., but sold to foreigners, to be in bearer form.





As Mr Hyland points out: "The issuer of the regulations is an arm of the Federal Government which sought strenuously to have this legislation enacted. It would be very inconsistent for them to propose regulations which thwart the thing they fought to achieve."

Even if the U.S. Treasury does give the go-ahead for issuers to offer bearer, as well as registered bonds, there are likely to be some regulations to prevent the bearer bonds finding their way back into the hands of U.S. citizens.

Mr Peter Ogden, a director at Morgan Stanley International in London, believes that the European investors' desire for anonymity can be squared with the U.S. Administration's anxiety not to lose taxes. "It is true that European investors do not like registered bonds. But they are working on it. There could be a requirement that the seller will have to disclose that he sold to a non-U.S. resident, without giving the name and address."

If the problem of bearer bonds is cleared up, there is a second potential stumbling block in the shape of the high commissions charged in Europe.

A U.S. corporate treasurer planning a bond issue could finad that the all-in cost of borrowing in Europe and the U.S. would be the same. But the issue would be priced differently in the two markets with the Europeans accepting a lower coupon and higher commissions, while the U.S. market takes a lower commission and higher coupon. It makes no difference to the treasurer. But it would be difficult for a global issue to take account of the different markets' way of pricing deals.

The New Yorkers' answer is simpla: European commissions must fall. But a German banker ripostes: "The present commission structure did not coma out of the blue. It was established for a good reason. There would have to be a good reason for it to change and I do not see one."

Again, the explanation is the private client buyers of Eurobonds. "To solicit the private clients community in different countries requires special efforts," he argues. The big German and Swiss banks have large networks of retail branches through which bonds are sold, often in small numbers.

Mr David Watkins, the vice-president in charge of Eurobond syndication in the London office of U.S. house Goldman Sachs, agrees with the European view and does not expect to see a global issue for a while. "I would expect that development to come very slowly. European investors, through the investment managers, prefer an issue targetted for Europe with European commissions and management groups. European commissions are high — and they will not come down. The client is paying for the service to small retail clients — it is an odd lot premium. The company does not pay extra, there is no pressure to cut."

Even if those two problems are surmounted, and some legal technicalities are sorted out, there is still good reason to expect a lot of business to be done through London. All sides agree that the European distribution system is indispensable for a bond issue to succeed there.

London is, after all, in the right place at the right time. Says Mr Ogden: "We are sitting right in the middle of the 24-hour clock."

If the two markets remain separate U.S. borrowers will have to decide where to target an issue. The most important factor in their choice will be which market offera cheaper debt at the time. They have at times been able to issue Eurodollar bonds at yields below those paid by the U.S. Treasury—arguably the best credit in the world. Now the comparison between yields will become all the more relevant and some issue managers predict a once-and-for-all change in yield relationships.

But Mr Watkins disagrees. "U.S. corporates will continue to find attractive opportunities to borrow in the Eurodollar bond market. I do not see a fundamental shift in yields. Eurobonds might well trade on a lower yield from time to time."

Since the tax bill was passed by Congress there has been a movement in yields in favour of U.S. issues.

The legislation also has implications for U.S. Government funding, making it easier for the Treasury to sell its bonds abroad. Dr Henry Kaufman, chief economist at Salomon Bros, said last week that "the task of the Treasury may be to ascertain whether it can place issues directly in Europe comparable in amount to the traditional purchases of foreigners but at savings in interest payments to the U.S. Government."

The withholding tax issue could turn out to be a storm in a teacup. Most participants agree that whatever changes happen will take place gradually. Only U.S. borrowers are expected to move their business to New York. Others may continue to prefer Eurobond to U.S. issues, which involve registering with the Securities and Exchange Commission — "not a picnic compared with a Eurobond issue," says Mr David Potter, a managing director at Samuel Montagu. A S. G. Warburg director says: "Non-U.S. issuers could always go to New York. Withholding tax is only one of the technical attractions of the Eurobond market."

U.S. corporations have been relatively modest borrowers in

London 'is in the middle of the 24-hour clock'

the Eurobond market anyway, taking only 15 per cent of the total money raised there in 1983. As most of them chose U.S. securities firms to manage their issues, the Europeans could end up only small losers.

In any case, as the U.S. Government has steadily dismantled its controls on foreign capital movements in recent years, New York bankers have often overestimated the impact. The removal of the Interest Equalisation Tax in 1974—the tax which has been credited with causing the birth of the Eurobond market—was by no means the death blow many predicted at the time.

With the Eurobond market still expanding fast—and other currency sectors becoming increasingly important — most European bankers believe they have a secure future in London.

Lombard

Some lessons from Liverpool

By Robin Pauley

A LOT of rot has been talked about the settlement of Liverpool City Council's budget crisis, with the city's Labour leaders claiming too much and the Government protesting too much.

The fact is that Liverpool's muscle won, but less than it might have done, and the Government lost, but not as much as it might have done. The key concern now should be not the scale of Liverpool's victory but the way in which it was gained and where it leaves the Government's future relations with high-spending Labour-controlled urban authorities.

Liverpool Council proposed a Budget of £262m which would have required a rate of 175 per cent to be set for 1984-85. It failed to set a rate by March 31 and, until finally setting a 17 per cent rise last week, it ran the city's entire operations in what amounted technically to a financial vacuum while its leaders basked in the publicity of confrontation saying, inter alia, that even the safety of Mr Jenkin and his property could not be assured.

Mr Jenkin stood firm, resisting both demands for sacks of booty from Liverpool's councillors and calls for the Government to send in commissioners and take over the city (partly because there is no legislation empowering this course of action and, if there were, it would probably lead to major social and civil unrest).

But sooner or later someone had to give and it was Mr Jenkin who gave. He added £2.5m to the City's inner city partnership money, extended urban aid projects, and changed the rules about housing debt and housing repair costs. The latter changes apply to all councils and would not have been made but for the desperate search for a solution in Liverpool.

For its part, Liverpool made substantial concessions too and claims to the contrary are simply disingenuous. It reduced its budget without cutting jobs or services through the legitimate and growing practice of "creative accounting" which juggles figures between columns, above and below lines, and in and out of different financial years. An important question is: why was this not done in the first place?

The one thing that creative accounting does not do is remove the expenditure or the need to finance it forever. The problem is simply in abeyance and in all likelihood will arise again next spring when the 1985-86 budgets will be made and the rates fixed. All the signs are that Liverpool will then be joined in confrontation with the Government over local government finance policies by possibly a dozen Labour councils.

The threat of major urban confrontation cannot be taken lightly. Mr Jenkin has been wrong-footed by Liverpool almost daily for three months. To avoid a repeat performance on a bigger scale next year the Government needs to start thinking now.

One of the reasons for Mr Jenkin's later flexibility over housing cash in Liverpool was that he finally went to the city and had a look. Like Michael Heseltine before him, he was both astounded and moved by what he saw. It is a pity that such visits are always too late and reactive—after the riots in Mr Heseltine's case and after confrontation was well under way in Mr Jenkin's.

One result of the Liverpool debacle ought to be that early visits will now be made to see what is really going on in places like Hackney, Britain's most deprived borough. But a more fundamental lesson from all this concerns the Government's entire approach to local authority finance. A muddled system of complicated and inconsistent formulae coupled with unrealistic targets and draconian penalties, all of which become more severe each year, fails to take account of the genuine plight of some communities.

Mr Jenkin's eyes saw something in Liverpool which his computers in Marsham Street could not: blanket mathematical equations cannot respond sensitively enough to the crumbling social fabric in parts of the country.

If this lesson has been learned the Government can head off potential trouble before next spring and deny the militant left another opportunity of forcing ministers to do the right thing in the wrong way at the wrong time for the wrong reasons.

Letters to the Editor

Manifesto promises

From Mr F. Stark.

Sir,—Your leader of July 12 is timely in reminding the Government of its manifesto promises to control trade union excesses.

Laws have been enacted, but the Government's apparent reluctance to allow nationalised industries to use the laws is extremely disturbing.

The Government appears to be drifting and lacking faith in its own policies, and the drift started with the removals of Mr Tebbitt from the employment office and Mr Parkinson from the Party chairmanship. There are now too many passengers in the Government who were only too glad to get to Parliament on the Thatcher ticket, but do not have the courage to carry through the policies.

As you say, people are watching and if this Government gives way to the current lawlessness on the so-called picket lines it will be difficult to see any future for real democracy in the country.

The Government runs the risk of alienating not only those of its party supporters who worked hardest to secure its return to office, but also of millions of trade unionists who voted Conservative hoping to secure a truer democracy within their unions.

F. Stark,
178, Southend Road,
Wickford, Essex.

Accounting for inflation

From Mr D. Dale,

Sir,—Michael Prowse (July 11) in his criticism of Professor Myddelton's new book on inflation accounting, is guilty of muddled thinking. It is no use anyone expecting one system of accounting to do all the jobs that different systems can do.

Thus constant purchasing power claims only to correct accounts for the changing value of money. Current cost accounting doesn't do this, but does something quite different and related to the changes in costs (of stock held and fixed assets in use) of the particular company under examination. Being what it is, CPP is a means of comparing the performance of companies one with another and years one with another (as is historic cost accounting under zero inflation) a job that CCA cannot do. Hybrids are sterile.

I prefer CPP because it does what I think is needed. A company whose assets are increasing in price more quickly than money is depreciating—like a coffee wholesaler when coffee trebles in price in a few months—must be regarded as a growing company which in economic terms it is—and as such will naturally need more capital to trade with, but *not* because of inflation.

Professor Myddelton is quite right to keep on plugging CPP and my only quarrel with it is the so called principle of "Capital Maintenance" by which the CPP adjustment is abated in proportion to the use of borrowings—but this is quite a different matter.

Douglas Dale,
"Birch Crest,"
97, Hilderstone Road,
Meir Heath,
Stoke-on-Trent.

Do not ignore the regions

From Mr P. Newman,

Sir,—The abolition of the regional employment premium some seven years ago coincided with the return to power of a Conservative Government and appeared as much a part of the standard practice of a new Government to undo the actions of its predecessor as a sop to IMF financial restraints.

If it is difficult to fault the carefully argued reasoning of Michael Prowse (July 12), it is even harder to imagine that this Government might have a change of heart and adopt a policy of encouraging economic growth in the areas where it is most needed. Sadly, one says this simply because no Conservative or Socialist Government has shown itself willing to adopt—or maintain—any policy conceived by a different political philosophy. Perhaps when the polarisation of this country is ended with the elections of a moderate Government there may be hope for an end to the destructive tit-for-tat actions of successive Tory and Socialist Governments.

Paul Newman,
"Claremont,"
The Queensway,
Gerrards Cross,
Bucks.

Unscramble legalspeak

From Mr K. Holroyd.

Sir,—I read with interest A. H. Hermann's article "Plain words advocated to unscrambe legalspeak" (July 5). While welcoming the draft Bill the article notes that it is a pity that it is not meant to apply to the printed material distributed by government departments. The cynical might point out that this is a sensible tactical omission since civil servants would be unlikely to advise their Ministers to support a Bill which would make tha workings of government understandable to the citizen by requiring official edicts to be intelligible.

Civil servants already have first class guidance on how to write simply in Sir Ernest Gowers' book "The complete plain words." This book will have its 30th anniversary in September and it is only within the last year or two that it has started to seem a little out of date. The principles outlined by Gowers are still valid but there is little evidence that today's civil servants have read this work.

One profession which seems to have escaped criticism is that of the economist. I suspect that this is because when a piece on economics reads as nonsense the lack of sense is attributed to economics itself rather than to the writer. It could well be, of course, that it is not economic behaviour which is "a tale told by an idiot" but that the teller of the tale is an idiot (or a knave or illiterate).

There is a need and a market, I believe, for a handbook on economic writing (in both senses) along the lines of Gowers. The Financial Times, already a leader in practice, would do well to consider publishing its own "Complete (economic) plain words" — it might sell! Should no such book appear from your presses then it could be assumed by speculative cynics that you have good reason to keep your own counsel and conceal the secret chemistry of your success.

K. Holroyd,
46 Chestnut Road,
Raynes Park, SW20.

Day trips across the Channel

From Mr R. Ledingham

Sir,—It is reported that the British Government has submitted new proposals to try to persuade the French Government to reconsider its recent decision to end a bilateral agreement allowing Britons into France for up to 60 hours without a passport.

These new proposals will not avoid the damage to British coach and ferry interests or to French traders in the Channel ports, caused by the French Government's revocation of the 60-hour agreement.

Until recently it was possible to persuade a large number of people to take day trips to France on the basis that there was no formality. Two photographs were required (available at ferry terminals), a temporary card was issued and used for landing in France and re-entry to the UK. A large proportion of day trippers will not now take the trouble to find an original or obtain a copy birth certificate and will in any case be unable to obtain an excursion document on a Sunday.

If this proposal is accepted by the French, the British day tripper has three alternative documents to choose from: a 10-year passport costing £15 taking say two weeks to obtain; a 1-year passport costing £5 available at Post Offices; or a 60-hour passport costing £2 available at Post Offices; none of these is simple and convenient.

There have been somewhat unfair allegations of racism made against French immigration officials under the existing system of 60-hour cards. The card system only applies to UK citizens not to British Commonwealth citizens with a right of abode in the UK and any attempt by the French to question a traveller's status is interpreted as discriminatory.

It does seem impractical and a little unfair to impose on French immigration officials the task of assessing a day tripper's status under complex British immigration laws.

It would however appear to be possible to allow British immigration officers to assume this responsibility by stamping the existing 60-hour cards with "UK citizen, re-entry guaranteed" on departure. British immigration officials who are aware of all relevant laws, can make any necessary enquiries before endorsing the card.

If such a system were adopted it might require additional manning at exit immigration desks and this could be financed by a nominal (less than £2) fee for the issue of cards. If any major departure from the existing system occurs then British and French ferry and coach operators and a variety of French traders and restaurateurs are going to lose a lucrative source of revenue, which seems detrimental to the interests of both Britain and France.

R. A. Ledingham,
Rose View, Hethe,
Nr Bicester, Oxon.

Judicious use of a commodity

From Mr B. Coombs,

Sir,—I believe that Mr P. Newman (July 12) is somewhat naive in his approach to defraying water costs.

If we install domestic water meters this, I submit, would bring about a more judicious use of the commodity. This in turn would result in a reduction in the water authorities' revenue.

I will now be naive. Can anyone tell me the water authorities' next move?

B. D. Coombs,
"Jungfrau,"
20 Brookwell Close,
Chippenham, Wilts.

FINANCIAL TIMES

Tuesday July 17 1984

FINAL COUNTDOWN TO DEMOCRATS' PRESIDENTIAL NOMINATION

Hart refuses to concede the race

BY REGINALD DALE, U.S. EDITOR, IN SAN FRANCISCO

SENATOR Gary Hart of Colorado defiantly refused to concede defeat yesterday in his bid for this year's Democratic presidential nomination. He promised to fight to the finish at the party convention that was due to open in San Francisco last night.

Mr Hart said he still expected to win the nomination in tomorrow night's roll-call hallot of state delegations, although Mr Walter Mondale has well over the paper majority of 1,967 "pledged" delegates needed for victory.

Mr Hart, who seemed more exuberant than at almost any time in the past bruising five months of Democratic presidential primaries and caucuses, said he would not try to exploit the confusion and indecision demonstrated by Mr Mondale at the weekend over the reorganisation of the party leadership.

Mr Mondale first dismissed and then equally suddenly reinstated Mr Charles Manatt, a Los Angeles lawyer, as party chairman after a mounting outcry over what critics alleged was Mr Mondale's high-handed behaviour.

Mr Mondale had initially wanted to replace Mr Manatt with Mr Bert Lance, the Georgia Democratic Party chairman, as a conciliatory gesture to voters in the South. Mr Lance has now finished up in the influential post of "general chairman" of Mr Mondale's campaign, while Mr Manatt, who was responsible for the controversial decision to take the convention to California, remains party chairman.

Mr Lance was President Jimmy Carter's short-lived hudget director who resigned after allegations – never substantiated – of unethical banking practices. He is controversial in the party hut highly popular in the South, where the northern Mondale-Ferraro ticket will need all the help it can get.

Many of the almost 4,000 delegates were upset by Mr Mondale's action, which they felt, at least temporarily, risked destroying the impact of the political coup he scored last week by choosing Ms Geraldine Ferraro as his running mate – the first woman to be placed in nomination for the White House by a prominent political party.

Although Mr Hart said he would win without exploiting Mr Mondale's "mis-step," his campaign staff were taking maximum advantage of the slip. Mr Oliver Henkel, Mr Hart's campaign manager, called it "a silly decision" that had put Mr Hart back in the running.

Mr Hart told supporters that "88 is too late" for the new generation of leadership that he claims to represent to take over the party. It seemed unlikely, however, that support for his candidacy would become sufficient to overturn Mr Mondale's virtually certain nomination on Wednesday.

With Mr Mondale hoping to put the Manatt/Lance incident behind him, it was clear that continuing interest in Ms Ferraro would dominate much of the week's proceedings.

At the weekend Ms Ferraro acknowledged that she was sometimes too outspoken and said she might have to control herself more closely. She was taken to task for suggesting that President Ronald Reagan was not "a good Christian" because of his unfair economic and social policies.

While the offhand remark was not too important in itself, it gave a pointer to the Republicans as to how to tackle the nomination of Ms Ferraro, which is generally felt to have thrown a "wild card" inm the November presidential contest. The Repuhlicans will try to attack her for her political judgment and her personality, not because she happens to be a woman.

Ms Ferraro said she did not need to be a foreign policy expert to know that Mr Reagan was "most vulnerahle" in that area. Her role in the Democratic campaign had yet to be settled, she said, although she hopes she would travel throughout the country, including the conservative South, to show that a woman could be a capahle Vice-President.

She did not think anyone wanted her to "change personally," she said. "I might be less irrepressible."

Swedish industrial output at record

By Kevin Done In Stockholm

SWEDISH industrial production rose to a record level in May, and output from March to May was the highest ever achieved over a three-month period.

Industrial output in May was 9.6 per cent higher than in the same month a year ago, according to preliminary estimates from the Central Statistical Office.

After slowing in April, industrial production recovered strongly in May, rising by 4.4 per cent on a seasonally adjusted hasis.

Over the first five months of the year, industrial production in Sweden has jumped hy 8 per cent compared with the same period in 1963. A recent survey of business opinion showed that industry was planning for a further expansion in the second half of the year, with orders still rising from both domestic and export markets.

The higgest jump in output in the last three months has come in engineering and iron, steel and metals. Output in engineering in May was 15 per ceot higher than a year earlier.

Despite the big rise in industrial production, caused chiefly by consistent high demand from export markets, unemployment in Sweden has been falling only slowly.

The number of people officially out of work last month was 116,000 or 2.7 per cent of the workforce. The Moderates, the Swedish conservatives and the largest opposition party, claim, however, that unemployment was in fact nearly three times as high at some 7.5 per cent in May.

The official "open" unemployment figures are an incomplete measure of the number out of work, according to a study released by the conservatives entitled "Unemploymeot – the Social Democrats' deception." The large number of those engaged in relief work and other joh creation measures outside the labour market also had to be included, the report said.

On that basis, unemployment had been worsening steadily over the last two years rising from 6.1 per cent in May 1982 to 7.1 per cent In May 1983 and 7.5 per cent in May 1984.

● Multinatiooal corporations operating In Sweden face stiffer laws against tax evasion if the Riksdag, the Swedish parliameot, acts oo new proposals put forward by the parliamentary auditors.

In a report to the parliamentary taxatioo committee, they called for increased resources for the fight against multinational corporations' tax evasion.

The report suggests that the burden of proof on the tax authorities should be eased to make it more difficult for corporations to move profits abroad through incorrect transfer pricing.

THE LEX COLUMN

Fog on the BA flight-path

The Civil Aviation Authority's ostensible purpose in reviewing airline competition is to deal with the obvious imhalance in the UK aviation market. But its report might almost have been drawn up as a demonstration of the clash which has arisen between the Government's wish to float British Airways out of the puhlic sector and its fervent belief in the forces of competition. As expected, in the process of cutting BA down to competitive size, the report has managed to throw a shadow over its future profitahility, and hence over the timing, at least, of its flotation.

At first sight, the proposed revenue damage to BA from route transfers might come through rather alarmingly to the bottom line. If BA were to lose 11.5 per cent of scheduled revenue while continuing to operate from last year's cost base, virtually the whole of the 1984 operating surplus could disappear. Admittedly, some 4.5 per cent of revenue would only he expected to drift away as the competition became effective, hut even the uncertainty associated with that outlook would probably go down in the City of London like a punctured Zeppelin

In fact, the report presents BA with several useful openings. Throwing the provincial airports open to other operators could make possible a heavy pruning of their infrastructure, shedding some unnecessary overheads which are probahly still concealed in the accounts of the Heathrow operation. And the opportunity to remove duplications – such as flights to Scandinavia from Gatwick – could be seen as a way of transferring revenue to Heathrow while cutting out the Gatwick costs.

Eighteen months heoce, these might appear worthwhile gains to set against the competitive incursion from British Caledonian, notably on the hitherto protected long-haul routes. In that time-frame, too, efficiency gains would help to recover the effect on profits. But the Treasury no doubt has a closer horizon than that pencilled into its funding schedule.

Dock strike

Given the collapse of the spot oil market ahead of Enterprise Oil's flotation as well as the CAA Report's gathering threat to British Airways takeoff, a prolonged national dock strike was presumably the very least to be expected once formal bids for Sealink were received. The dock strike could yet be cut short with no serious damage to the economy – and even the most observant Sealink sale watchers, asked to assess the latest complication, might have trouble hy now deciding where one delay ends and the next begins. But the strike last night marked the end of its first week hy locking a stranglehold on virtually all UK freight shipping and the City of London started to focus properly on the economic costs.

Nearly 20 per cent of total UK trade is attributable to oil imports and exports, which look set to remain nnaffected, and other limited areas of discreet activity might account for a further 5 per cent. It is also probably reasonable to expect that another 15 per cent or so might be transferred from ship to air freight. Since shipped freight normally represents roughly 90 per cent of total trade, these figures imply that the strike from now on might reduce that total hy approximately one half. This might effect a deterioration in the balance of payments' visihle account of about £500m a month and must be seen against a visibles deficit in the first five months of the year of £1.66bn against £1.48hn for the whole of last year.

Quantifying the strike damage in this way looks a hazardous exercise, given few precedents; some discrepancy between import and export statsitical procedures could also produce misleading figures for July. Nevertheless, the general scale of the prohlem which emerges is certainly consistent with what happened in 1972.

That strike suggests, too, that import bottlenecks could rapidly be reflected in industrial production setbacks. The seasonal fall in fresh fruit and vegetable prices could also be reversed, which would put another nail in the coffin bearing what remains of the government's 4½ per cent inflation estimate.

For individual companies, the freight stoppage will immediately present Sealink and European Ferries with weekly losses of £1.2m and nearer £2m respectively to set against peak weekly passenger revenues of £6m–£7m. Euroferries' harbours and Associated British Ports will also face sizable losses. But costing the strike in these detailed terms has only just begun.

GEC/BAe

The protracted nature of the auction for British Aerospace has put the BAe board in a sequence of unusual positions. Initially confronted hy a hidder – Thorn EMI – which seemed willing to let the market set a price, BAe has latterly been dealing advances from a GEC which wanted more information on which to form a valuation than BAe was prepared to give. It is hard to see how this stand-off may be resolved, although BAe may now be hoping to jog GEC into firming up its offer. At all events, the 50 per cent rise in BAe's interim dividend suggests that BAe still has half an eye on the level of an eventual hid; but the 17p which came off BAe's share price yesterday indicates that the market may be less sanguine.

British Airways to fight route plan

By Michael Donne In London

BRITISH AIRWAYS (BA) the state-owned airline, said last night that it would fight proposals hy the Civil Aviation Authority (CAA) to transfer many of its short-haul European services and some of its long-haul routes to UK independent airlines.

The proposals were set out in a policy review hy the CAA, a regulatory body for airlines in Britain. They were described as "disastrous" and "unacceptable" by Lord King, BA chairman, who said he would resist "absolutely any arbitrary reduction of the airline's routes."

BA, which the Government plans to sell to private investors hy a share flotation, stands to lose all short-haul Europeao scheduled services out of UK points other than Heathrow, London.

The CAA is also suggesting a two-year experiment in the deregulation of UK domestic air transport, with airlines free to fly what routes they choose other than those out of Heathrow and Gatwick, also near London.

Regulation of UK domestic air fares would also end, although the CAA would still ask airlines to file fares with it "so that it can intervene to prevent predatory or monopoly pricing."

Existing bilateral airline agreements with countries outside Britain would remain unchanged hy the proposals.

A few of BA's long-haul intercontinental roules would also stand to go under the CAA's proposals.

A short-term effect of the transfers would be to reduce BA's scheduled services revenue hy ahout 7 per cent, the CAA said. "In the longer term, increased competition from other British airlines arising from these changes could further reduce British Airways' total scheduled services revenue hy up to 4.5 per cent."

The CAA does not accept that routes to be reallocated should automatically go to British Caledonian (BCal), the UK's largest independent airline. It says other short-haul carriers should be encouraged to put in hids.

BA would remain the largest single British airline, enjoying a dominant position. Its great strength would stem from its position as an operator out of Heathrow.

The CAA's aim is to redress an imhalance in UK air transport without damaging BA's international strength hy making too severe a reduction in its activities.

Background, Page 10; Editorial comment, Page 12

Davignon emerges as strongest candidate for EEC presidency

BY PAUL CHEESERIGHT IN BRUSSELS

VISCOUNT Etienne Davignon, the EEC Industry Commissioner, has emerged as the strongest candidate for the European Commission presidency, after the Belgian Government's decision formally to nominate him.

A letter from Mr Wilfried Martens, the Belgian Prime Minister, to Dr Garret FitzGerald, the Irish Prime Minister who, in his role as EEC president, is seekiog agreement on a nominee, says Viscount Davignon is the best man for the joh.

"Our main concern should be to obtain the candidate who is best equipped to steer the ship between the cliffs on the rough sea on which the Community has to sail these days", the letter says. Viscount Davignon has the qualities, according to Mr Martens.

The other formally nominated candidates are:

● Mr Henning Christophersen, the Danish Finance Minister, around whom no perceptihle support has gathered;

● Mr Frans Andriessen, the Dutch Commissioner for Competition, who is seen as an attractive compromise candidate, unlikely to provoke opposition among the Ten.

The new president would be tasked, from the beginning of next year, with executing Community policies and formulating new ones to place before the Council of Ministers.

Final selection of the new president is expected In the autumn. Hitherto, it had been accepted that if West Germany nominated a suitable candidate, then the Bonn Government's choice would be decisive.

However, soundings suggested to Chancellor Helmut Kohl that there was little enthusiasm for the name of Kurt Biedenkopf, a former senior official of the Christian Democrat Party. Bonn now seems to have backed away from trying to find a suitahle nominee.

Because of the assumption that the next president would come from ooe of the higger countries, there have been suggestions that France would put forward, perhaps In the autumn after a ministerial resbuffle, either M Claude Cheysson, the Foreign Minister, or M Jacques Delors, the Economy and Finance Minister.

The British are not disposed to agree on the nationality of the next president without seeing the name first. Moreover, irritation among the Benelux countries about the French assumption is thought to be one reason behind Mr Andriessen's nomination.

In the face of those uncertainties, Viscount Davignon emerges as the front runner hy virtue of his record as Commissioner for Industry in the present Commission. He has, however, made clear that he is interested only in being president.

If he is not selected, then Belgium will doubtless nominate Mr Willy De Clercq, the Minister of Finance, as a member of the Commission.

David Housego writes from Paris: Sir Geoffrey Howe, the British Foreign Secretary, will have talks In Paris oo Thursday with M Claude Cheysson in the context of the normal mid-term review of Franco-British relations.

The regular talks between foreign ministers are intended to hridge the gap between annual summit meetings. The last summit was in London on October 20 and 21 last year.

The settlement of the British budget dispute at the EEC summit at Fontainehleau has removed the main source of friction between the two countries. The issue of who will be the next President of the EEC Commission Is expected to be discussed.

Last night, M Roland Dumas, French Minister for European Affairs, had dinner in London with Sir Geoffrey to discuss the follow-up to the Fontainebleau summit.

Rocard reopens EEC farm row

BY QUENTIN PEEL IN BRUSSELS

THE BATTLE over EEC farm spending hroke out again in Brussels yesterday when M Michel Rocard, France's Agriculture Minister, further cuts before the end of the year.

In a statement at the opening of the European agriculture Ministers' council meeting, M Rocard launched an attack which will he taken up in earnest hy the hudget council later this week.

He critised those countries, effectively Britain and West Germany, which are calling for further farm spending cuts in 1984 and which oppose a supplementary hudget for the Commission, Designed to pay for the extra cost of huying, storing and selling farm surpluses.

He accused them of hypocrisy, saying that both goverments were guilty of providing extra farm subsidies at a national level to cushion the effect of reduced EEC suport.

M Rocard said the farm price agreement reached in March had implicitly stated the need for a suppelementary hudget before the year end. He said its opponnts were not acting in good faith.

As examples of national subsidies he cited the West German agreement to give its farmers extra relief from value-addec tax from July 1 – a special deal approved hy the most recent summit meeting in fontainehleau.

The British Government, he said, provided five limes more noney per farmer than the French in schemes to persuade farmers to retire early,or convert from dairy farming to other forms of agriculture.

The French spent per lhn ($115m) on Point 450,000 farmers, while Britain speot half the amount on only 10 per cent of that number.

A british spokesman later simply restates his government's position on the supplementary hudget, that spending on the Common Agricultural Policy in 1984 must be accommodated within the existing budget, or be met by spending cuts.

UK accepts export curb on telecoms

Continued from Page 1

cognise this," the UN trade official said.

The CoCom rules on computer hardware have now been updated for the first time since 1976, freeing most simple home computers from any licence requirement hut tightening controls at the top end of the computer range. Thus, for the first time, the travelling Russian businessman will be able to take out of the UK, perfectly legally and without a licence, machines such as the Acorn and Sinclair ZX-81 and virtually anything with an 8-bit microchip.

But the U.S. Defence Department yesterday expressed pleasure that so called super mini-computer systems like the VAX models would now be properly protected hy Co Com controls.

Fresh bid to end UK dock strike

Continued from Page 1

style. It was Mrs Thatcher, in her role as Civil Service Minister, who gave the instructions for the union membership han at GCHQ, which took effect at the start of this year. Union members were offered £1,000 each in compensation.

The Government, clearly emharrassed hy the High Court judgment, appears likely to yield to intense Opposition pressure for either a prime ministerial statement or a House of Commons dehate. The ruling leaves the Government with the option, if it wants the han to stay, of either making a legal appeal or of consultation with the unions.

Mr Arthur Scargill, president of the National Union of Mineworkers (NUM), yesterday commented on the ruling: "I am pleased there has been a decision which recognises that the GCHQ position was wrong. But I would prefer that the Government themselves would admit that trade unionism has a right to exist."

The miners's presideot met yesterday with leaders of the TGWU to discuss the coal and dock strikes.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	–	—	—	Malaga	C	23	73	Salzburg	F	16	61
Akrotiri	S	31	88	Faro	S	26	79	Malta	S	32	90	Seoul	S	29	84
Algiers	C	27	81	Florence	C	28	82	Manila	S	33	91	Singapore	C	32	90
Amsterdam	R	16	61	Frankfurt	F	14	57	Miami	C	28	82	Stockholm	F	21	70
Athens	S	32	90	Funchal	S	23	73	Milan	C	29	84	Strasbourg	F	18	64
Bahrain	C	33	102	Geneva	S	19	66	Moscow	C	23	73	Sydney	R	13	55
Bangkok	S	33	91	Gibraltar	S	23	73	Munich	F	15	59	Taipei	S	36	97
Barcelona	S	26	79	Guernsey	S	16	61	Nairobi	C	24	75	Tangier	S	23	73
Beirut	S	29	84	Helsinki	F	19	66	Naples	F	27	81	Tehran	–	—	—
Belgrade	S	25	77	H. Kong	S	31	88	New Delhi	C	36	97	Tel Aviv	S	30	86
Berlin	R	16	61	Innsbruck	C	18	51	New York	C	29	84	Tenerife	S	29	84
Biarritz	F	21	70	Inverness	C	15	59	Nice	S	26	79	Tokyo	S	32	90
Blackpool	F	17	63	Istanbul	S	30	86	Oporto	S	27	81	Toronto	S	24	75
Bordeaux	F	21	70	Jersey	S	18	64	Oslo	C	21	70	Tunis	S	32	90
Brussels	F	16	61	Jo'burg	F	17	63	Paris	R	16	61	Valencia	C	27	81
Budapest	S	18	65	Las Palmas	S	25	77	Prague	F	15	59	Venice	S	26	79
B. Aires	C	12	54	Lima	C	20	68	Reykjavik	F	12	54	Vienna	F	21	70
Cairo	S	35	95	Lisbon	S	25	77	Rio de J'o	C	28	82	Warsaw	C	19	66
Cape Town	C	23	73	Locarno	S	26	79	Rome	F	26	79	Zurich	C	18	64
Caracas	C	29	84	London	C	18	64								
Casablanca	S	24	75	Los Angeles	C	33	91								
Copenhagen	F	19	66	Luxembourg	C	15	59								
Corfu	S	31	88	Madrid	S	30	86								
Dublin	C	16	61	Majorca	F	29	84								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Profits down for U.S. banks

Continued from Page 1

credit losses totalled $543m at June 30 compared with $416m a year ago.

Non-accrual loans, net of charge-offs, totalled $875m at the end of the quarter compared with $535m a year ago and $604m at the end of the 1984 first quarter. Morgan said the inclusion of $324m of Argentine public-sector loans accounted for the suhstantial increase during the second quarter.

In contrast to both Morgan and Chase First Chicago, the 11th largest U.S. banking group in terms of year-end assets, reported a further improvemeot in second-quarter earnings.

First Chicago said net earnings in the quarter increased hy 23 per cent to $53m or 98 ceots a share from $43m or 91 cents a share. For the first half the bank reported net income of $102.7m or $1.95 a share compared with $86.5m or $1.87 a share in the year-ago period.

The latest results include those of American National, acquired for $275m on May 1. Excluding this acquisition and the related costs and adjustments, First Chicago said its second quarter net earnings increased hy 15 per cent to $49.6m for the year-ago quarter.

Mr Barry Sullivan, chairman, said the improvement reflected higher net interest income and growth in non-interest income partly offset by higher expenses and an increase in provisions for loan losses.

Net interest income rose to $244.2m compared with $493.8m a year ago. The bank's provision for loan losses in the second quarter was $49.3m including American Natiooal and $47.5m excluding the new bank acquisition compared with $35m a year ago.

Net chargeoffs totalled $45.7m in the latest period and the allowance for possihle loan losses stood at $245.9m or 0.99 per cent of total loans at the end of the period.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday July 17 1984

Allied and Grace report drop in chemical income

BY WILLIAM HALL IN NEW YORK

THE PATCHINESS of the recovery in the world chemicals industry was underlined by yesterday's second-quarter profit announcements from Allied Corporation and W. R. Grace. Allied, the hig U.S. conglomerate and the biggest producer of soda ash in North America, reported a slight drop in its chemical earnings *because of industry oversupply*, while W. R. Grace reported a marginal rise in its important special chemicals operations.

Allied, whose activities span energy, automotive, aerospace and industrial products as well as chemicals, reported a rise in second-quarter net income to $130.1m from $106m.

Sales in the second quarter rose 10 per cent to $2.8bn and earnings per share totalled $1.37 against $1.03. The 1983 second-quarter was depressed by losses of $12m or 18 cents per share, from discontinued operations.

For the first six months Allied earned $263m or $2.73 per share compared with $224m or $2.26 per share in the first half of 1983, when there was a $29m loss from discontinued operations.

For the whole of 1983 Allied earned $450m from its continuing operations, but this was reduced to $98m after provisions for losses on the sale of its large liquid fertiliser business and its loss-making machine tool business, acquired with Bendix in 1983.

Allied's performance in the latest quarter was helped by continued growth in its automotive, defence and electronics markets as well as expanded oil and gas operations. Its automotive earnings improved substantially as a result of the recovery in the U.S. hesvy vehicle market and continued strength in the passenger car and light truck original equipment markets.

Meanwhile, Grace lifed second-quarter net earnings from $40.5m or 83 cents a share to $57.4m or $1.18, mainly as a result of a jump in the group's agricultural chemical earnings, from $1.8m to $14m, on the back of a recovery in fertiliser demand. In contrast, Grace's important special chemicals operations only increased its operating income hy 2 per cent to $48.1m.

Grace says that certain of its European special chemical operations as well as U.S. construction products, flexible packaging and graphic arts businesses turned in strong second-quarter performances. However, these improvements were offset by a decline in Grace's domestic catalyst operation.

Computer makers' earnings improve

By Our New York Staff

NCR, the U.S. computer group, bas reported an 11 per cent increase in second quarter net income to $78.2m, while Burroughs Corporation, its larger but less profitable rival, bas *reported* a 15 per cent jump in its net income to $57.3m for the same period.

Mr Michael Bhumenthal, Burroughs' chairman, said yesterday the latest performance was "the strongest quarter to quarter gains we have achieved in several years."

He cited strong revenue gains, steady improvement in operating margins and hroad-based unit order growth for the group's improved performance.

Burroughs says its outright sales increased 31 per cent in the latest quarter, while rental revenues decreased 10 per cent reflecting the continued industry shift away from rentals.

The group's worldwide order position showed "substantial unit increases in all major product areas" compared with a year ago.

NCR's sales rose 7 per cent to $998.8m in its second quarter. The group says its earnings, revenues and orders were at record levels for the latest three months.

Second quarter earnings a share totalled 73 cents egainst 63 cents. For the six months the group's earnings a sbare are 22 per cent up at $1.15 and revenues are 9 per cent ahead at $1.7hn.

NCR's worldwide nrders were a record for a second quarter with gains in the U.S. exceeding those overseas. Mr Charles Exley, chairman, said he continued to be optimistic that 1984 would be a record year for earnings and revenue.

Burroughs earned $1.26 a share in the latest quarter against $1.01 a sbare a year ago. Fnr the six months earnings a share are 21 per cent up at $2.21 and revenues are 14 per rent up at $2.3hn.

Both companies noted the negative impact of the strong dollar on their worldwide sales and earnings

BOARD MEETS TO CONSIDER MIDLAND BANK'S OFFER

Pressure on Crocker over bid

BY DAVID LASCELLES IN LONDON

CROCKER National Corporation's board meets in San Francisco today to consider Midland Bank's $207m bid for the 43 per cent minority amid signs of strong shareholder dissatisfaction with the terms.

At least one major sbareholder is understood to bave telexed both Crocker and Midland to say the $25 of preferred stock being offered for eacb Crocker sbare is too lnw. Stockhrokers both in the U.S. and the UK – where there are several Crocker shareholders – said Midland migbt well have to raise its hid.

There was, bowever, applause for the move yesterday – as long as Midland can pull off the deal without a big increase. Midland's share price rose 12p to 330p, and one analyst said: "It's the best and most aggressive thing they have done for years."

The sbareholders' dissatisfaction centres on several points:

- The offer price, though bigher than Crocker's recent trading price of $18, is well below the $30–$40 it was trading at before the California bank started piling up losses last year. Midland has also warned that the new stock could trade below par because of Crocker's uncertain earnings prospects.
- The offer is less than balf Crocker's bonk value of $52 a share, the usual yardstick for a bank acquisition.
- The preferred stock carries a divideod with little flexihility, and Crocker can redeem the stock at par at any time, which limits potential gains.

Some shareholders are also unhappy about the way Midland timed its hid, just as Crocker stock was close to a low point after the second successive dividend cut. Mr Michael Julien, Midland Group finance director, bas denied that the timing was "opportunistic."

Midland is seen by several market observers to be in a strong position. Many Crocker sharebolders will probably be glad to sell out after the drubbing they have received, and the cbance of a cnunter-bidder driving the price up is small.

Sinre Midland has lined up some nf the best investment banking and legal talent in New York, it is prohahly well prepared to deal with whatever financial and courtroom hattles could follow.

Despite the prohlems Crocker still faces – its balance sbeet still has a lot of trouhled Latin American and California real estate loans – a successful hid would represent a major coup for Midland.

It will have acquired hank assets for half their book value in a market with good long-term prospects without laying out any cash at all.


Mr Julien: timing not opportunistic

The offered terms would also average down Midland's outlay for Crocker to about $50 a share from $67, meaning that in the end it will bave paid about book value.

Magazine unit boosts Time

BY OUR NEW YORK STAFF

TIME, the largest U.S. magazine group, achieved a 12.5 per cent increase in second-quarter profits, which rose to $60.1m, or 92 cents a share, from $53.4m, or 84 cents a share on a comparable basis.

Mr Richard Munro, president, attributed the profits growth to "an especially vigorous performance" by the magazine division, which continued to register the strength shown in the first quarter. Magazine advertising revenue rose by 16 per cent, and pre-tax profits amounted to $59.7m on sales of $345m.

The group's hook publisbing division was also ahead of last year's performance, hut video operations registered a $1.6m decline to $52.9m, and there were mixed results from its cahle television and pay TV activities.

Overall group sales amounted to $772m in the second quarter compared with $691m, and for the first six months of this year rose from $1.3bn to $1.5bn. First half earnings jumped to $103.7m, or $1.59 a share, from $75.4m or $1.19 a share.

The second-quarter figures were struck after discounting income of $1.4m from discontinued operations in last year's figures. This gave a final net in 1983 of $54.8m, or 88 cents a share, while over the six month period, gains of $8.3m from divested and discontinued operations made the final net $83.7m

Euroferries faces new challenge

BY CHARLES BATCHELOR IN LONDON

SHAREHOLDERS of European Ferries, the British operator of Townsend Thoresen, yesterday approved their company's cootroversial plan to limit the growth of its concessionary fare scbeme, but the proposals face further opposition in the UK High Court later this month.

At the start of a 2½ hour meeting attended by 93 shareholders, Euroferries announced that small sbareholders – with between 300 and 599 shares – had sent in proxy votes which were 79 per rent in favour of the modified scheme. The approval nf 75 per cent of the equity is needed.

Counting nf the votes cast at the meeting was continuing last night. The final result, which is not expected to sbow a substantial cbange from the proxies, will be announced today, Euroferries said.

Opposition from small shareholders narrowly overturned the company's first attempt on June 22 to introduce non-voting preference shares for people interested solely in the coocessioo.

Euroferries and its mercbant banking adviser, S. G. Warburg, responded by giving full voting rights to the preference shares and dropping a proposal to give directors the right to end the concessions after 1999.

A major concern of small sharebolders was that two Euroferries' directors, Mr John Dicks and Mr Bill Pauls, both Canadians, would increase their holding in the company to 18 per cent from 12.5 per cent If they then exercise all their options they could increase their combined bolding to 25 per cent.

Mr Dicks said be and Mr Pauls had no intention of making a bid and had offered voluntarily to be bound for three years not to do so.

Ameritech raises full-year forecast

BY PAUL TAYLOR IN NEW YORK

AMERITECH the Chicago-based telecommunications group, yesterday became the first of the Bell System spin-offs to report its second-quarter earnings and hoost its full year earnings estimates.

In contrast MCI, one of the major U.S. discount long-distanre telepbone groups, suffered a 40 per cent drop in its fiscal first quarter earnings to $32.99m or 14 cents a share, against $54.8m or 23 cents a share in the corresponding period last year.

Ameritech, a regional telephone bolding group which is the parent of the five mid-western Bell telecommunications companies, reported second-quarter earnings of $283.9m or $9.6m charge to settle anti-trust cases.

Like its first quarter results of $257.6m or $2.88 a share on revenues of $2.03bn the latest quarterly results were slightly ahead of market and its own estimates.

Ameritech said that "because of strong earnings to date," it was increasing its forecast for 1984 net income hy 5 per cent. Last November the group forecast net earnings for the full year of $923.7m or $9.47 a share.

The company said it still expected 1984 revenues to be in line with earlier forecasts, but it now expects lower expenses.

MCI's fiscal first-quarter earnings, although sharply lower than the corresponding period last year, were in line with market estimates.

The decline mainly reflects higher expenses and came despite a 33 per cent increase in revenues to $484.8m from $363.8m.

The company said the lower results also reflect a "substantial increase" in charges MCI pays to local telephone companies for access to its customers.

Salzgitter first half lifted by steel upturn

By Rupert Cornwell in Bonn

SALZGITTER, the state-owned West German steel, engineering and shipbuilding group, reported a distinct improvement in its fortunes in the first half of the current year, as a result of a revival of its steel business.

The group did not, however, conceal that it would make a further loss in 1983-84, although that would be less than the DM 712m ($250.7m) deficit registered in the year to September 30 1983.

According to the latest issue of the company magazine, sales rose in the first six months to March 30 to DM 5.2bn, 8 per cent up on a year earlier. Exports jumped 20 per cent, and turnover of the steel division 18 per cent.

Orders in hand rose 4.6 per cent over the six months to reach DM 6.8bn on March 30. The figure was still down on the DM 7.4bn of orders in hand at the end of 1982-83.

Salzgitter said, the "adjustment process," which had seen a further *786 workers shed in the second* quarter, would continue. The group's overall state was still "unsatisfactory," it added.

Hospital Corporation of America ahead 21%

BY OUR FINANCIAL STAFF

PROFITS at Hospital Corporation of America (HCA), the leading U.S. hospital management group, continued to grow in the second quarter, although the pace slowed from that of the previous five quarters.

HCA, wbich now owns or manages nearly 400 hospitals, earned $73.9m or 84 cents a share for the quarter, an increase of 21 per cent over the comparable period.

Revenues at $1.04bn compared with $974.3m a year ago.

Earnings for the first six months are 39 per cent ahead at $160.4m or $1.82 a share on revenues of $2.13bn against $1.98bn.

For the whole of fiscal 1983, HCA pushed earnings up by 41 per cent to a record $243.2m or $2.80 a share.

Wall Street is looking for a new earnings peak this year as HCA continues to benefit from its policy of expansion. It plans to increase capital spending hy 38 per cent to $900m this year after increasing its hospital chain by around 11 per cent over the past 12 months.

The profits gain of the second quarter is further indication that HCA's growth pattern bas not been impeded by last year's changes in federal payments for Medicare treatment.

Two Canadian trusts to merge

BY ROBERT GIBBENS IN MONTREAL

TWO medium-sized Canadian trust companies, National Trust and Victoria and Grey Trust, will merge by share exchange to become the third largest company in the sector, following several weeks of talks.

The new company, National Victoria and Grey Trust, will be natioo*al in scope, with assets nf nearly* C$8bn (U.S.$6bn).

Mr Hal Jackman, a Toronto financier, controls more than 40 per cent of each company. National sharebolders will receive 1.45 shares of the new company for each existing share, while holders of Victoria and Grey will receive one share.

Trust companies offer retail hanking services as well as their *traditional fiduciary services*. Impending financial industry deregulation is forcing many smaller trust companies to get together

Japan to act on unregulated money lenders

By Yoko Shibata in Tokyo

JAPAN'S ECONOMIC Planning Agency is setting up an advisory group to prepare legislative proposals for the protection of consumers from Sarakin – unregulated money lenders knowo for the high interest rates they charge and the pressure they often apply to secure repayments.

The agency is considering a registration system for Sarakin cash lenders, credit card operations and hire purchase.

According to the EPA's figures, consumer credit in Japan has doubled in the *past five years to* some Y26,000bn ($107bn) of which Sarakin loans account for some Y3,400bn.

Poclain and Case join forces to battle for sales

BY DAVID MARSH IN PARIS

POCLAIN, France's loss-making prime manufacturer of hydraulic excavators, is forging closer commercial links with Case, the U.S. construction equipment maker owned by energy giant Tenneco, as part of a strategy for survival in an increasingly tough market.

The decision to pool the Poclain and Case sales networks in France, which came into effect at the start of the month, is nn immediate result of Poclain's newly completed financial bail-out under which Tenneco has raised its stake in Poclain to 44 per cent from 40 per cent.

In an overall package of about FFr 500m in loans and equity, Freoch nationalised banks and financial institutions bave increased their stakes to 43 per cent.

Grouping the products of Poclnin and Case, wbich makes primarily backhoe-loaders for all-purpose construction work, is described by Mr David Bigelow, the cbairman of Poclain brought in by Case-Tenneco last year, as "building a set of products where no-one else in the market-place comes close to us."

Mr Bigelow and Mr John Gleason, Case's vice-president for Europe, bave been mounting their own Tour de France to establish the new network's commercial image.

Behind Mr Bigelow's aggressive sales effort lies the fear that, unless Poclain returns to breakeven in the next year or so it could need a new financial rescue package. After two bail-outs in two years (the first in 1983), Mr Bigelow remarks with commendable humour that if a third one is needed, he for one will not be around to see it.

Poclain, which made net losses of FFr 198m last year after a deficit of FFr 283m in 1982, will clearly not be out of the red in 1984. It faces continuing difficulties in the excavator market – especially in Franre, where *a sales drop* of at least 15 per cent is forecast after a 33 per cent fall in 1983 – and heavy price cutting competition from foreign competitors, especially from Japan.

"We have to be in a solid break-even position next year," Mr Bigelow says. Following the implementation of a tough cost-cutting programme, including heavy redundancies, from the second half of this year, "Poclain is going to start clearly on its way back. But it's a hard slog."

The Poclain group workforce has been cut from 5,800 at the beginning of the year to nbout 5,500 now. About 400 more jobs are due to go before the end of the year as a result of planned cuts in its Spanisb operations.

Poclain is regrouping its activities around its two main excavator plants at Crepy north of Paris, where the bulk of investment is being concentrated, and at Carvin, near Calais, where high-range excavators are made.

Its PPM mobile cranes division is up for sale as part of the effort to spin off or close ancillary activities.

"We're doing this to survive in a flat market," Mr Bigelow says. "We're not going to prosper in this market – but we will if the market turns up again."

Following his arrival at Poclain last summer mucb of Mr Bigelow's time has been spent first in assessing the state of the company's industrial operations, and then in putting together the latest rescue package. He estimates this involved about 80 trips to government ministries, banks, regional authorities and other agencies.

He is now turning his attention to the "third stage" – personally leading Poclain's marketing effort. He plans trips in the next three months to Saudi Arabia, Scandinavia, Germany, Britain, Spain, the Netherlands and Belgium, and visits to Egypt and Algeria later on.


Mr David Bigelow, Poclain chairman (seated), and Mr John Gleason, Case vice-president for Europe – running their own Tour de France to establish the new network's commercial image.

INTERNATIONAL COMPANIES

North American quarterly results

ABBOTT LABORATORIES
Health care products

Second quarter	1984 $	1983 $
Revenue	801.4m	723.7m
Net profits	100.4m	85m
Net per share	0.83	0.70
Six months		
Revenue	1.5bn	1.4bn
Net profits	188.1m	161.2m
Net per share	1.58	1.32

BANK OF NEW YORK
20th biggest U.S. bank

Second quarter	1984 $	1983 $
Assets	13.1bn	12.4bn
Net profits	26.3m	21.8m
Net per share	1.58	1.35
Six months		
Revenue	—	—
Net profits	52.1m	43.4m
Net per share	3.16	2.75

BARNETT BANKS OF FLORIDA
30th biggest U.S. bank

Second quarter	1984 $	1983 $
Revenue	—	—
Net profits	25.3m	20.2m
Net per share	1.34	1.14
Six months		
Revenue	—	—
Net profits	49.3m	38.1m
Net per share	2.62	2.22

CONSOLIDATED PAPERS
Pulp and paper

Second quarter	1984 $	1983 $
Revenue	176m	142.5m
Net profits	20.7m	12m
Net per share	1.90	1.10
Six months		
Revenue	347m	279.8m
Net profits	40.1m	22.6m
Net per share	3.69	2.08

GANNETT
Publishing, broadcasting

Second quarter	1984 $	1983 $
Revenue	491.7m	427.2m
Net profits	59.7m	52.5m
Net per share	0.75	0.66
Six months		
Revenue	916.9m	813.9m
Net profits	94.5m	84.8m
Net per share	1.18	1.06

OWENS-ILLINOIS
Leading glass container maker

Second quarter	1984 $	1983 $
Revenue	908.5m	889.1m
Net profits	40.8m	30.2m
Net per share	1.45	1.10
Six months		
Revenue	1.75bn	1.72bn
Net profits	59.6m	36m
Net per share	2.12	1.30

ROWAN COMPANIES
Contract drilling

Second quarter	1984 $	1983 $
Revenue	46.1m	57.2m
Net profits	1m	9.9m
Net per share	0.02	0.18
Six months		
Revenue	82.2m	121.9m
Net profits	†4m	24.2m
Net per share	†0.07	0.45

†Loss

SOUTHEAST BANKING
22nd biggest U.S. bank

Second quarter	1984 $	1983 $
Revenue	—	—
Net profits	16.2m	14.1m
Net per share	0.85	0.79
Six months		
Revenue	—	—
Net profits	32.4m	27.8m
Net per share	1.66	1.57

SQUARE D
Electrical, electronic products

Second quarter	1984 $	1983 $
Revenue	338.3m	277.3m
Net profits	25.9m	14.6m
Net per share	0.91	0.52
Six months		
Revenue	664.8m	539.5m
Net profits	50.3m	26.7m
Net per share	1.76	0.95

TEXAS OIL AND GAS
Natural gas, gas and oil exploration

Third quarter	1983-84 $	1982-83 $
Revenue	528.7m	488.9m
Net profits	89.3m	75.2m
Net per share	0.42	0.36
Nine months		
Revenue	1.58bn	1.4bn
Net profits	255.7m	217.1m
Net per share	1.22	1.03

Chrysler set to develop U.S. light truck plant

BY TERRY DODSWORTH IN NEW YORK

CHRYSLER U.S. is planning to add a further element to the expansion of its product range with a $500m investment in the development of its light truck plant in Warren, Michigan.

The complex would involve the construction of five new facilities around the existing Warren assembly facility. This would bring together all the major stamping components and assembly facilities on one site in the vicinity of Detroit, where Chrysler has its headquarters.

The project is the third large-scale venture on which Chrysler has embarked since setting its finances on an even keel two years ago.

In this period capital investment has once again begun to climb, reaching $1.1bn last year after stagnating at only $456m in 1982 and $373m in 1983 when the company was in the process of recovering financial stability with the aid of the government-backed rescue plan.

The first plant to be revamped in this development phase was the Windsor facility in Canada, where Chrysler makes its new medium-size van-shaped car, which has achieved an immediate impact in the U.S. market.

The second is the Stirling Heights plant acquired from Volkswagen last year, and now being expanded to produce the group's new H-model compact car, due to be launched later this year.

The new plant on which $150m will be spent this year, will also be linked to the launch of a new model, labelled the N-body truck. This will be a small pickup that will take Chrysler into a sector of the light commercial vehicle market which it does not cover at all at present.

Over the last two years, the market for pickups and small vans, where Chrysler is represented with a range of medium-size products, has been one of the fastest growing sectors in the U.S. automobile industry.

The company's sales of these kinds of vehicles have gone up by 66 per cent so far this year.

Hoffman-La Roche sees advance

BY JOHN WICKS IN ZURICH

HOFFMANN - LA ROCHE, the Swiss chemicals and pharmaceuticals concern, expects a further improvement in earnings this year. In 1983 group profits rose 16.8 per cent to SwFr 328m.

The company said this expectation pre-supposed that there would be no unfavourable development in exchange rotes. In the first half, earnings had "generally developed satisfactorily."

Group sales rose 7.4 per cent in the first half to SwFr 4.04bn. The comparisoo with the corresponding six months of last year excludes sales of subsidiaries sold by Roche in the secood half.

Sales of pharmaceuticals were "satisfactory," rising 7 per cent to SwFr 1.65bn in the first half, despite the effect of weak Latin American curreocies. Sales of vitamins and fine chemicals rose 3.6 per cent to SwFr 1.15bn, but sales to the animal-feed industry were below expectations.

...

The flavours and fragrances division increased its turnover 14.2 per cent to SwFr 458m after a marked recovery in European markets. Good results from the U.S. medical service laboratories and the reagents sector led to a 19.2 per cent rise in the diagnostics division.

Fujitsu boosts profits forecast

TOKYO — Fujitsu has raised its parent company current profit forecast for the year ending next Morch due to a continuing increase in demand for large and personal computers and semiconductors at home and abroad.

The company now estimates current profit at a record Y100bn ($415m), compared with a forecast of Y92m previously and a peak Y79.3m registered for the year ended last March.

The company is to make a one-for-10 bonus stock issue to shareholders registered on *March 31, 1985, and a one-for-20* bonus issue for those registered on March 31, 1986, to pay back premiums on a capital increase due on Aogust 30 this year.

Data processing device sales are expected to exceed Y800bn, up from an eariler estimate of Y787bn and which compares with Y661.34bn for fiscal 1983-84.

Capital spending by the parent company in 1984-85 is expected to exceed Y200bn against Y175bn planned earlier and Y117.50bn in 1983-84.

This is mainly because of an increase in planned semiconductor division spending, which wil be considerably above the Y100bn originally intended after Y68.30bn in the latest fiscal year.

Fujitsu also reveals that it plans to issue 48m new shares at market price with payment on *August 31, and will raise* additional funds on domestic or overseas capital markets in February or March next year.

The decision by ICL of the UK to stop marketing Fujitsu's Atlas 10 large mainframe computer will have little impact, because Fujitsu is supplying Amdahl brand computers to Amdahl of the U.S., which has a sales subsidiary in Britain, the company states.

Amdahl will take over the servicing of ICL's Atlas customers.

● A specially formed joint venture company, California Steel Industries (CSI), has signed a $110m agreement to buy Kaiser Steel's Fontana Mill in Southern California, Kawasaki Steel, the Japanese partner, announced in Tokyo yesterday. The company said the joint venture, capitalised at *$50m, is 50 per cent owned by* the Wilkinson group of California, with the balance held eqoally by Companhia Yale Rio Doce of Brazil and Kawasaki.

Fontana will produce about 700,000 tonnes of ateel products a year.
Reuter

Asahi Glass lifts carbide stake

TOKYO—Asahi Glass, Japan's major glass company, yesterday revealed that it has become Nippon Carbide Industries Company's largest shareholder.

Asahi Glass obtained 6.1m shares of Nippon Carbide from Mitsubishi Chemical Industries and 900,000 shares from Mitsubishi Bank. The two purchases increased the glass company's shareholding to 7.4m shares or to total 13.65 per cent of Nippon Carbide's outstanding shares. The purchase price is believed to he around Y260 a share.

Asahl Glass, Mitsubishi Chemical and Mitsublshi Bank all belong to the Mitsubishi group of companies. Currently, members of the Mitsuhishi group total 44.

By becoming major shareholder. Asahi Glass hopes to turn Nippon Carbide's earnings around to show a profit. Nippon Carbide, which specialises in polyvinyl chloride and carbide products, has not paid a dividend for the past four years.

Mitsubishi Chemical, the previous major shareholder, had assisted Nippon Carbide in restructuring its business, but Asahi Glass has taken over the role because its business is more closely connected to that of Nippon Carbide.

Asahi Glass has had a technology and marketing tie-up with Nippon Carbide since 1955. Recently, though, the two companies also began to co-operate in the field of electronic parts and materials.

As new major shareholder, Asahl Glass will send a representative from its company to Nippon Carbide, the glass concern said.
AP-DJ

Boral bids A$55m for balance of OCA

By Lachlan Drummond in Sydney

BORAL, THE Australian building products group, is bidding A$55m (U.S.$46.2m) to take full control of Oil Company of Australia, which is on the verge of a A$180m gas development.

Boral swooped on the share markets yesterday after announcing its bid of 90 cents for OCA's ordinary shares and 55 cents for its options, boosting its share stake from 39 per cent to 48 per cent and its options holding from 11 to 24 per cent, ending with an effective 43 per cent of the diluted capital.

Based on capital after the July 30 exercise of options at 35 cents, the bid values OCA at A$92m compared with the A$65m capitalisation based on the pre-bid share price of 64 cents.

Boral initially built its stake in OCA by taking up a defensive 10 per cent placement when OCA was under assault from the Hartogen Energy Group in 1982. Further purchases and last year's acquisition of Hartogen's 42 per cent stake left it with its pre-bid springboard, bought at an average of around 50 cents a share.

OCA has been valued at almost A$1 a share by brokers in recent reports on the basis of its minor shares of oil discoveries in the Cooper and Eromanga Basins in South West Queensland, promising exploration acreage and its 40 per cent share of the Denison Trough gas fields, which contain some 176bn cu ft of gas.

OCA and its 60 per cent partner, CSR, are currently seeking both sales contracts and authority to build a pipeline to convert this potential to firm revenue dollars in the central Queensland industrial centre of Gladstone.

The gas development is likely to cost A$100m to A$120m and will generate annual revenues of at least A$40m.

Boral is a major industrial force in Australia and will be in a strong position to provide the funding for the Denison gas development and also will benefit from access to the A$24m of exploration tax losses built up by OCA, worth around A$11m to Boral's bottom line should it gain 100 per cent control of the oil group.

Sharp advance by Pernas

KUALA LUMPUR — Malaysia's government-backed National Trading Corporation (Pernas) has announced pre-tax profits of 60.94m ringgit (US$26.1m) for the year ended January 31, up 71.1 per cent over the previous year.

Tunku Shariman Sulaiman, the Pernas chairman, said that turnover was 859.49m ringgit, up 16.2 per cent. After tax of 34.6m ringgit, net profit rose hy 180.6 per cent to 26.3m ringgit.

The chairman predicted that profit for this year would be even higher.
AP-DJ

QAF Holdings plans Singapore listing by reverse takeover

BY CHRIS SHERWELL IN SINGAPORE

A BRUNEI company backed by the sultanate's royal family has reached agreement with Ben and Co., the Singapore food trading and processing concern, on the terms of a takeover which would give it a listing on the Singapore stock exchange.

The company, QAF Holdings, is controlled by Prince Mohamed Bolkiah, the Sultan's brother and Brunei's Foreign Minister, and is one of the fastest growing locally-owned companies in Brunei.

Details of the agreement, which must still be approved by the Singapore authorities, remain under wraps. But Ben said yesterday that negotiations with QAF were for the company to acquire all QAF's issued share capital, which could make it in effect a reverse takeover which will give QAF a "back-door entry" to the stock exchange.

Ben is a 67 per cent-owned subsidiary of Straits Steamship, which was takn over in the middle of last year by the Singapore government-controlled Keppel Shipyard. Both Straits and Ben have since reported losses, and Ben's shares were suspended 12 days *ago after speculation about a* takeover.

For Keppel, the QAF move would mark the first important rationalisation of its interests since it acquired Straits Steamship in a deal which valued the company at S$500m (US$234m).

QAF has half-shares in Fitzpatrick supermarkets in Brunei, Reading and Bates, the U.S. oil services concern, and an airline catering venture. It also has interests in Carrier, the air-conditioning company. The value of QAF is put at around S$30m (the Singapore and Brunei currencies are at parity).

The Brunei royal family has other interests in Singapore, including the Royal Holiday Inn hotel. It had been thought that QAF would seek a listing directly, but among other things it lacked the five-year track record the Singapore exchange demands.

Lee Kim Tah goes public with 20m share offering

SINGAPORE—Lee Kim Tah Holdings (LKTH), a family-controlled holding concern with interests in construction and property development, is going public with an initial offering of 20m shares of 50 cents par value, priced at S$1.50 a share.

The group, which includes five 100 per cent subsidiaries of LKTH, recorded sharp increases in profit over the past five years, partially because of the designation of its flagship construction company, Lee Kim Tah (Pte), as a "core contractor" in the Government's public housing programme.

After-tax earnings rose from S$260,000 in 1979 to S$921,000 in 1982. In 1983, group profit after tax surged more than 18 times from the previous year to S$18.4m (US$8.6m). Much of the 1983 profit, however, was derived from completion of a single S$27m property development project. For the current year, the directors project group after-tax earnings of not less than S$10m.

The public offering will increase LKTH's share capital to 80m shares from 70m, since half of the shares up for sale are being sold by members of the Lee family. After the public offering, LKTH will remain a subsidiary of LKT Holdings, a private investment holding concern of the Lee Kim Tah family: LKT Investments owns 48m LKTH shares, or 60 per cent of the enlarged share capital.

The development Bank of Singapore is acting as lead-manager and underwriter of the issue, which closes August 1. Standard Chartered Merchant Bank Asia is co-managing the offering.

JAPANESE COMPANY RESULTS

FURUKAWA ELECTRIC
Wire/Cable/Non-ferrous Metals

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	578	531
Pre-tax profits (bn)	4.70	3.04
Net profits (bn)	7.61	†0.59
Net per share	3.13	11.14

CONSOLIDATED
† Loss.

HITACHI CHEMICAL

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	304	263
Net profits (bn)	4.08	2.81
Net per share	26.08	18.64

CONSOLIDATED

HITACHI MAXELL
Magnetic Tapes

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	172.39	164.48
Pre-tax profits (bn)	38.34	36.78
Net profits (bn)	17.71	18.52
Net per share	182	211

CONSOLIDATED

MATSUSHITA ELECTRIC WORKS
Electrical Fittings

Six months to	May '84 Y	May '83 Y
Revenues (bn)	274	260
Pre-tax profits (bn)	14.56	13.27
Net profits (bn)	6.90	6.89
Net per share	14.31	14.36
Dividend	5	5

PARENT COMPANY

MATSUSHITA-KOTOBUKI
VCR Maker

Six months to	May '84 Y	May '83 Y
Revenues (bn)	129	86
Pre-tax profits (bn)	16.68	9.85
Net profits (bn)	8.39	4.67
Net per share	40.38	32.50
Dividend	6.25	6.25

PARENT COMPANY

MEIDENSHA ELECTRIC
Transformers, Control Systems

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	105.6	*NA
Pre-tax profits (m)	156	NA
Net profits (m)	6.75	NA
Net per share	4.22	NA

CONSOLIDATED
* Accounting change. † Loss.

MITSUBISHI HEAVY INDUSTRIES
Heavy Machinery/Shipbuilding

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	3,330	2,981
Pre-tax profits (bn)	60.62	38.22
Net profits (bn)	27.38	24.75
Net per share	10.83	9.83

CONSOLIDATED

RHYTHM WATCH

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	46.05	44.22
Pre-tax profits (bn)	3.36	1.99
Net profits (bn)	1.44	1.09
Net per share	13.96	13.73

CONSOLIDATED

SANKEN ELECTRIC
Semiconductors

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	4.92	38.15
Pre-tax profits (bn)	3.72	0.28
Net profits (bn)	1.57	†0.162
Net per share	40.8	—

CONSOLIDATED
† Loss.

SHARP
Electrical Appliances

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	1,017	898
Pre-tax profits (bn)	72.78	62.19
Net profits (bn)	38.07	29.9
Net per share	53.79	43.14

CONSOLIDATED

SUMITOMO METAL MINING

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	361.73	279.04
Pre-tax profits (bn)	5.59	0.94
Net profits (bn)	1.42	0.87
Net per share	3.66	2.5

CONSOLIDATED

TAISEI
Construction

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	1,076	1,012
Pre-tax profits (bn)	35.16	36.23
Net profits (bn)	13.54	13.97
Net per share	17.48	18.06

CONSOLIDATED

TAKEDA CHEMICAL INDUSTRIES
Pharmaceuticals

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	530.93	519.45
Pre-tax profits (bn)	52.78	51.78
Net profits (bn)	24.48	26.22
Net per share	31.92	37.71

CONSOLIDATED

TEIJIN
Synthetic fibres

Year to	Mar '84 Y	Mar '83 Y
Revenues (bn)	580.32	497.24
Pre-tax profits (bn)	27.95	19.74
Net profits (bn)	14.10	7.44
Net per share	18.16	9.79

CONSOLIDATED

FINANCIAL TIMES SURVEY
Tuesday July 17 1984

YUGOSLAVIA

Efforts to find a solution to the country's protracted economic crisis have forced a marked change in the style of Yugoslavian socialism

YUGOSLAVIA'S protracted economic crisis, now in its fourth or fifth year, is beginning to change the political system. This link between *economic cause and political* effect should not come as a surprise in an officially Marxist country. But, atill, many Yugoslavs do not like wbat they see bappening.

The controversy is not so much about changes in the *substance* of Yugoslav socialism, towards greater reliance on a market economy with free *pricing*, flexible exchange rates and real interest rates and partial acceptance of some of *capitalism's* "*evils*" or disciplines of closures and unemployment.

That is bound to be painful if yon have long been featherbedded and protected in your company, local republic, and national economy by regulation or effective monopoly. What is disliked even more is cbanges in tbe *style* of Yugoslav socialism, towards a greater role for the federation *over* the eight republics and provinces.

Distinctive system

Style—how you do something —is just as important in Yugoslavia as substance—what you do. Thia is not just because it is a Mediterranean country. The credo which Tito bequeathed to Yugoslavia bas three slogans, all about Yugoslavs "doing their own thing," at varions levels without defining wbat the "thing" should be: "nonalignment" in foreign policy with either East or West, "equality of nationalities" allowing republics and provinces to manage much of their own affairs, and "self-management" permitting and indeed requiring workers to run their own businesses.

None of these elements in the Yugoslav system is under frontal assault. If they were, Yugoslavs who are as defensive as they are proud of their home-grown and distinctive system, would resist strongly. Yet, the more perceptive Yugoslavs see change being effected in concrete ways.

For a start, Yugoslavia has had to call in the International Monetary Fund *again this year* for a further standby loanadjustment programme, after three years of IMF assistance in 1981-83, and has had to swallow tougher fund prescriptions (see article on economy).

This in no way jeopardises Yugostavia's political non-alignment, *though following IMF* prescriptions aligns Yugoslavia more with Western economic practices. This, bowever, has a psychological impact on a country where self-reliance is part of the official theology.

A second and more significant factor bas been the pressure by foreign creditors on Yugoslavia to strengthen and centralise its financial system. This *has led to* the *National* Bank in Belgrade, hitherto one of the weakest in the world, being given powers to control foreign borrowing and, for the present, to act as guarantor of new loans from abroad.

The third, and new, factor is the nature of the policies whicb the IMF has been insisting on this year. Previously, the fund *has tolerated the Yugoslav* authorities' practice of using a variety of administrative wage and price controls to belp meet agreed-upon austerity targets. These controls bave not worked well, largely because wage, price and tax policies are heavily influenced by individual republics.

This year the IMF has persuaded *Yugoslavia to* rely almost exclusively on monetary mechanism — chiefly interest and exchange rates. These bappen to be in the undisputed control of the federal authority.

A further weakening of republics' power in this domain is the reform last month whlcb allowed the National Bank's board of governors (made up of heads of republican central banks, akin to the U.S. Federal Reserve system) to take decisions *by* majority vote, not consensus as in every other walk of Yugoslav life.

The *result* of all *this* may be not to alter the self-management right of Yugoslav companies but to stem an abuse whereby any enterprise in difficulty could run to its local republican government and get a fresh slice of cheap credit or a price increase to help it out of tronble.

There is talk by some federally - minded Yugoslav politicians and academics of wider political reform, such as narrower definition of the *republican right of veto, and* more use of majority-voting to speed up decision-making. But without the pressure of events that has existed in the economic field, it is likely to remain just talk.

Yugoslavia's external accounts ($m)

	Jan-Mar 1983 m	Jan-Mar 1984 m
Merchandise trade balance	−326	−151
Invisibles trade balance	+198	+280
Current account balance	−128	+129

Even in the economic field, the federal government bas felt compelled again and again to stress that it is not usurping any powers.

Yet, federal ministers admit *privately that the IMF has* given them the support they have hitherto lacked from other institutions inside the country in dealing with recalcitrant republics.

This may change with last month's selection of a new nine-man presidency. With one representative from each republic and province plus the communist *party* presidency, this acts as collective bead of state. All but one man is new, making it an unusually clean sweep in Yugoslavia's rotating system of government.

The new men in the presidency are also considered stronger characters than their predecessors, particularly Mr Stane Dolanc of Slovenia, once tipped as Tito's successor as communist party chief before rotation was introduced there, Mr Branko Mikulic of Bosnia wbo *pulled* off an *organisational* coup in this year's Sarajevo Winter Olympics, and Mr Josip Vrhovec of Croatia.

Time will tell whether the new presidential team proves *more federally-minded. Its* members certainly have more federal experience than their predecessors, and in their new posts their key role is to bang republican leaders' heads together to get national decisions. If they succeed, they fill at least part of the growing leadership vacuum left by the party—the League of Communist of Yugoslavia (LCY).

A parallel with Poland is not too far-fetched, with the crucial difference that the party in Poland bas self-destructed, while in Yugoslavia it is, in a *most unLeninist way, almost* bowing out of leadership. With the flowering of self-management in the 1960s and 1970s tne LCY itself has had little administrative role, though all members of the presdency and government carry party cards.

In the crucial national issues of the early 1980s it bas taken a back seat, with the LCY central *committee* tending to *ratify or* pontificate on decisions taken elsewbere. It does not lead because it cannot. A conglomerate of repubilcan communist parties, it has set its face against re-organising itself along national Yugoslav lines.

Mr Jure Bilic, a member of the presidency of the LCY central committee (equialent to a Politburo post in a Soviet bloc country), says "the party should one day wither away like the state." He puts that time off in a far-distant utopia, but one wonders.

Certainly, the *LCY* seems to bave little quarrel with the substance of the new changes in Yugoslavia. "We are encouraging the private sector, because there is still a dearth of supply," Mr Bilic says. "The unpleasant effects of market forces — the income inequalities and bankruptcies — cannot be totally avoided, only mitigated," he says in a resigned air.

But the style of change is another matter. The LCY may be opening up a vacuum, but it certainly does not want anyone else filling it. One of the more dramatic warnings came in April *when Mr Milovan* Djilas, the wartime consort of Tito who has long been Yugoslavia's most famous dissident, was briefly arrested with 27 other "free-thinkers" at a dis*cussion group* in *Belgrade*. "We wanted to show Djilas and the others that they cannot do what they want all the time," Mr Bilic *says*.

Key figures in Yugoslavia's new presidency. From left to right: Mr Stane Dolanc, Mr Branko *Mikulic and Mr Josip Vrhovec*

Forceful warning

But Mr Djilas stoutly maintains that nothing discussed at that Belgrade meeting, on the issue of Yugoslavia's nationalities *problem*, went mucb beyond what has been appearing in the Yugoslav press. He believes the police only arrested the group because be, Djolas, has long been a lightning rod for the authorities to strike, and it was the first time he bad addressed this group. Thus it was, as Mr Bilic confirms, a convenient chance to send a wider warning *to dissidents* and potential dissidents.

The authorities put some force behind their warnings last month when they re-arrested five of the Belgrade group to face various charges of making "bostile propaganda" and forming an "illegal group." A sixth man was beld in Sarajevo for proposing that Yugoslavia's complex ethnic map be redrawn from eight republics and provinces into four republics.

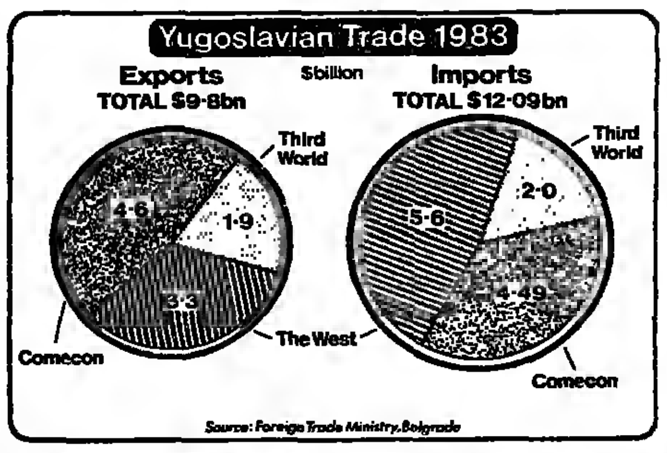
There is, too, an increasing number of individuals, so far out of harm's way, who feel that *Yugoslavia's political* debate, let alooe its appallingly obtuse political vocabulary, bas grown stultified, and needs fresb air. These people are being listened to. For instance, Mr Branko Horvat, the Yugoslav economist and one of those nominated for last year's Nobel prize, has been drawing packed audiences *in Zagreb* and Belgrade for his denunciations of the mismatch between the abilities and privileges of the party elite. Significantly, too, he is getting his views into the press.

Considering its stormy his*tory*, Yugoslavia is a fairly liberal place with relative freedom of press, speech and travel; Mr Djilas is virtually the only Yugoslav unable to get a passport. To Western journalists wbo raise human rigbts issues, Yugoslav officials tend to end up muttering darkly about such publicity only serving Soviet interests.

Yugoslavia does not have to try very bard to play East and West off to its own advantage. Its strategic location, between Nato and the Warsaw Pact, does that for it, and never more successfully than at the present time of acute East-West tension. Belgrade officials maintain that Yuglavia suffers from this tension, but in concrete terms can only point to the economic burden of trying to matcb the arms race on either side of Yugoslavia's borders.

Both sides have recently increased economic assistance. Some 15 Western countries—neutral as well as Nato members—granted Yugoslavia some $1bn in special aid last year. Not to be outdone, the Soviet Union supplied an extra 2m tonnes of oil to Yugoslavia, at a time wben it was actually freezing shipments to its allies. Belgrade officials report that their relations with Moscow and Washington bave never been better.

David Buchan



The start of 1984 bas seen substantial changes in the pattern of Yngoslav trade compared to last year, Dr Milenko Bojanic, the trade minister, says, and on the whole, he believes the changes are positive.

The hard currency trade *deficit was pruned back to* $193m in the first fonr months of this year, compared to $437m in the same period of 1983, with exports to the industrialised West picking np in late spring, and more than offsetting a disappointing performance in tbe Third World. Dr Bojanic believes the country is well on target *to keeping its 1984 hard cur*rency trade deficit to within $1.4bn, (it was $1.8bn last year).

The basic switch has been towards more convertible currency trade with capitalist and developing countries, to finance debt servicing, and a reduction in barter trade with Comecon countries—a trend expected to continne this year.

Government *officials* say that as hard currency exports improve, so the volume of imports from the West will *pick np. Indeed*, Yngoslavia is committed by its present agreements with the IMF and World Bank to liberalise administrative controls which still cover 80 per cent of all imports.

Nonetheless, according to the 1984 plan (a statement of intent rather than an exact prescription in the case of Yogoslavia), *import growth* will lag behind that of exports. The plan target is for hard currency imports to rise by 8 per cent this year, compared to a 20 per cent boped-for increase in convertible currency exports.

Light at the end of a two-year tunnel

Economy

DAVID BUCHAN

YUGOSLAVIA COULD be out of its economic crisis within two years. That, at least, is the optimistic scenario that can be constructed out of the following claims and commitments:

- Yugoslavia is at last earning enough hard currency with exports to cover imports and interest on its large debt. Evidence: a $300m surplus on current account last year, which it is hoped will increase to $500-$800m this year.
- By April 1985, Yugoslavs will be paying on their borrowings an interest rate equal to, or slightly higher than, their exorbitant inflation rate. This would put a final end to the borrow-and-spend mentality that has bedevilled the attempt of the past four years to reduce demand to balance with supply. Commitment: real interest rates within a year is the key pledge Yugoslavia has made to the International Monetary Fund, in return for getting another standby credit this year.
- By 1986, Yugoslavia will be able to start shouldering the full bill for its improvident past. That is to say, after next year it will no longer have to ask its Western creditors for rescheduling, or delayed repayment of debt principal. Is there any hard evidence or commitment for this? No. But Mrs Milka Planinc, the Prime Minister, says this is "realistically possible."

But, to take the optimistic view, you have to ignore two things: Yugoslavia's recent track record as a country where the decentralised economic system takes unusually long to adjust to change; and its current severe problem of inflation.

It is inflation — retail prices rose 52 per cent between April 1983 and April 1984 — that could destroy the government-IMF strategy. If interest rates cannot be raised, and the dinar's international value lowered, *fast* enough to match inflation, then there will be little curbing of domestic demand. Yugoslav manufacturers will find it easier and more profitable to sell at home than abroad, and exports will slow.

The Planinc government also has good political reason to fear inflation. No other cost of adjustment is as widely spread; unemployment has stayed steady at around 930,000 because of the Yugoslav unwillingness to close all but the greatest misinvestments, and in any case it is unequally spread, with the jobless rate varying from a mere 1 per cent to 2 per cent in rich Slovenia in the north to 10 per cent to 20 per cent in the poorer southern republics.

Twice in the past year the government has lost its nerve about inflation, and imposed administrative price controls against its better economic judgment and against the express wishes of the IMF which has now been supervising the Yugoslav economy (through loan-adjustment programmes) since early 1981.

The second price "freeze," imposed in December 1983, is now coming to a messy end. Messy, because of a government-IMF disagreement. At the start of May the government said it was freezing the prices of 55 per cent of all categories of goods, mainly finished consumer goods, while 35 per cent (industrial intermediate goods) would still be subject to price negotiation between producer and retailer and the remaining 10 per cent (raw materials and electricity) would stay under the federal government's thumb.

But, as with so many things in Yugoslavia, appearances were deceptive. When the much-heralded surge in consumer goods prices did not occur last month, the IMF discovered that the government was still demanding a 30-day notification period even on increases in the so-called free price category.

Believing that Yugoslavia was thus reneging on one of its standby loan conditions, the IMF, for a time, refused to pay out the first tranche of its $370m credit for 1984, a refusal which would have jeopardised all 1984 debt rescheduling with western banks and governments. However, a compromise has been reached, with Yugoslavia agreeing to scrap the notification procedure before it gets its second IMF loan tranche in September.

This has been a minor dispute, but on a major issue. The IMF wants to see free pricing in Yugoslavia and an interest and exchange rate policy responding automatically to market and inflation conditions. Yugoslavia agrees on this as a goal, but almost all Yugoslavs—from government ministers, to bankers and businessmen—believe their heavily regulated economy can only reach this goal gradually.

They complain that the Fund has just taken its standard monetarist programme off its Washington word-processor, typed in "Yugoslavia" at the top, and sent it off to Belgrade for signature, without regard for local peculiarities. And, as they point out and no one can deny, there is plenty that is peculiar about Yugoslavia.

The chief of these is its internal disparities, the six-to-one gap in average income between its richest and poorest regions. There have always been those, particularly in the poor south, who have argued that Yugoslavia can only function with a high growth rate (as foreign loans gave it in the 1970s).

As Mr Dragoljub Stavrev, prime minister for Macedonia at the southern end of the country, points out, those four years of austerity have hit the poorest regions harder than the richer. The ability of Slovenia with virtually zero unemployment, several wage-earners to each family, good social security, a multiplicity of small and medium size companies which are financially sound, and a very healthy export and hard currency position, to withstand the current austerity is of a quite different order than, say, Macedonia, with 13 per cent unemployment, a predominance of financially shaky large enterprises, and a chronic foreign debt and export problem.

These regional anxieties have been accentuated by the tougher conditions which the IMF has imposed this year. Despairing of the way Yugoslavia has fiddled administratively with IMF-agreed austerity measures over the last three years so as to dilute their effect, the IMF has now pushed for automatic mechanisms, such as real interest rates for all and measures to prevent companies evading bank credit curbs by simply piling debts up with each other.

Across-the-board policies like this, if really implemented, would ring the death-knell for much of the "special interest" politics played in Yugoslavia. Hence the cries of protest.

Even those Yugoslavs who accept the IMF goals, and they include most officials in the richer republics as well as the federal government, are worried about the pace of change which they have agreed to this year. The federal authorities—the government and the national bank—feel that they were already making some progress, before agreeing with the IMF in March to new terms.

The December 1983 price freeze was only imposed after a hefty increase in raw material, energy and transport prices, as requested by the World Bank (see separate article) as well as the IMF. Those increases, which will be continued later this year, were long overdue and widely accepted.

INA, the Yugoslav oil major, naturally welcomes the oil and gas price increases which will bolster its shaky finances, but also points out that they will iron out many regional energy price distortions in the Yugoslav market. In the first four months the price freeze, January to April, retail prices rose 7 per cent, bringing the annual pace of inflation down from 58 to 52 per cent in that period.

Two other improvements occurred in the first quarter of this year. Industrial production rose by 3.6 per cent, greatly helped by Western government credits, agreed last year, to aid Yugoslavia import materials needed for export production. At the same time, industrial demand fell in real terms by 15 per cent and personal consumption, as measured by retail sales, dropped 3 per cent from the level in the first quarter of 1983. Personal income fell by 9 per cent in the same period.

So, what will happen now to prices? Some Belgrade officials believe that rising output and falling demand in the first quarter, accentuating a trend of the past several years, have now created a near-balance for many goods on the market, such as meat and some consumer durables. There is some evidence for this. For instance, Iskra, the major Slovene electronics company, reckons the market will not bear much more in the way of increases in the price of its television sets.

Other observers believe that the government is just postponing a price explosion by striving to maintain its 30-day notification procedure for a long as possible. Professor Aleksander Bajt, a regular consultant to the government, is not convinced about a fall this year in real incomes, and believes that wages will start pushing prices up soon.

In this state of uncertainty, the government is worried that interest rates will have to race hard to catch inflation. The key commitment to the IMF is that the National Bank's discount rate and the rate on three month time deposits will increase in July, October and next January, so that by April next year they will be one per cent above whatever the inflation rate is.

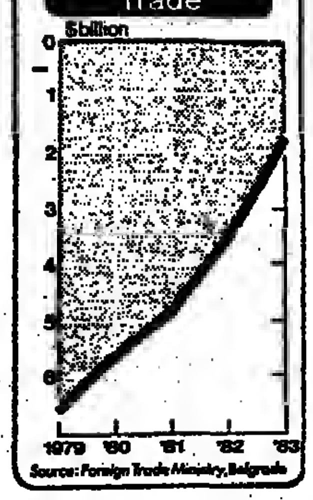
Equally, another surge of inflation will mean faster depreciation of the dinar, to neutralise the margin between higher domestic inflation and lower world levels. Many Yugoslavs tend, very understandably, to view dinar depreciation as a prime cause of inflation, through higher cost imports, rather than an inevitable symptom (the IMF view).

This was why the government last November slowed depreciation right down (and having done so, made price controls inevitable), so that in the first quarter of 1984 the dinar fell only 3 per cent against a basket of Western currencies. Now that most price controls are being removed, the dinar is moving more sharply downwards again. This seems to have revived exports in late spring (see separate article).

Whatever its arguments with the IMF about tactics, Yugoslavia has made progress towards the strategic goal of paying its debts and way in the world. After a $260m current account surplus last year, it earned a current account surplus of $129m in the first quarter of 1984 (a $280m surplus on invisibles offsetting a $151m deficit on merchandise trade).

The IMF estimates that Yugoslavia's increase in this current account surplus may amount to $500m this year; Yugoslav officials hope for $800m. Clearly it has more than enough to pay debt interest. Equally clearly, however, it is some way off meeting its full debt service bill, which includes debt principal maturities of $3bn next year as was the case this year.

Hard Currency Trade



Source: Foreign Trade Ministry, Belgrade

Looking to long-term solutions

The World Bank

DAVID BUCHAN

MUCH HAS been heard of the International Monetary Fund's recent role in trying to help pull Yugoslavia out of its debt crisis. Rightly, because it is to the IMF that Yugoslavia's many creditors look to set the austerity measures and reductions in domestic demand considered essential to improve the country's external finances in the short term.

But, for the longer term, the World Bank, the IMF's less glamorous sister, may be more important for Yugoslavia. Out of the crisis management limelight in which the IMF operates, the World Bank is slowly trying to provide some of the crisis solutions. These include a common infrastructure for Yugoslavia's disparate regions, so that there is at least a physical, if not political, framework for a single economy, and an end to the pricing distortions in such basics as energy and transport which have led to wasted investment in the past.

World Bank lending to Yugoslavia, which totals more than $4bn spread over 30 years, changed in nature and scope last year. In the year ending June 30, last year Bank lending hit an annual record of $521m in loans committed. The reason was that it included, for the first time, a structural adjustment loan (SAL), which was the World Bank's contribution to the international rescue effort mounted on Yugoslavia's behalf in early 1983.

The SAL was, in origin, essentially, a political gesture of solidarity with Yugoslavia in its hour of need, and it could be argued that, in view of the large amounts of money that the country got from other sources, and the limited resources which the Bank has available for SALs, as distinct from regular project finance, some other developing country might have been a more deserving recipient. But no one disputes that Yugoslavia's SAL has been put to good use.

The essence of an SAL is that the recipient country gets immediate balance of payments help, in return for which it undertakes to make certain longer-term policy changes or structural adjustment. So, Yugoslavia has already got the first $175m tranche of its $275m SAL, and expects to get the rest soon. The money is being channelled, through an Export Development Fund administered by Beogradska Banka, to importers of spare parts, raw materials and components needed for export production.

Enterprises have to have either export orders in hand, or a proven record of exporting, to qualify for SAL money. Demand from enterprises was a little slow at the outset, but disbursement of the SAL has now picked up and there is some hope that the Export Development Fund can, in some small way, compensate for the lack of a proper foreign exchange market. This is because users of the EDF are being encouraged to deposit spare foreign exchange with the Fund with the offer of longer maturities on any SAL borrowings if they do so.

The quid pro quo is a number of policy commitments which affect more than just the use of the SAL money. These include half-yearly reports on all large investment projects in the country regardless of World Bank involvement, establishment of a "minimum" rate of return on new projects, definition of a "core programme" of investment in energy, and possibly in transport, with the understanding that projects outside this "core" would not be carried out, gradual elimination of subsidies in transport by 1990, and the raising of gas prices to world levels by early 1987 and of coal prices to "economic levels" within 4-5 years.

Many of these policies are a reflection of previous World Bank concerns and overlap with conditions set by the IMF for its standby credits. For instance, the new emphasis on scrutiny of investment projects is in a sense a continuation of past World Bank support for the training of inspectors in the Social Accounting Service, the Yugoslav auditing system.

Equally, the commitments on energy pricing are consistent with the IMF's insistence that, as part of its standby credit programme with Yugoslavia, energy prices during 1984 must at least keep pace with inflation. But the SAL has put conditionality into the longer and broader perspective necessary when dealing with the *supply side* of the Yugoslav economy, as distinct from the demand side dealt with by the IMF.

Another reason why the World Bank takes the longer view is that, unlike the IMF, which has become a fire brigade fighting crises, the Bank operates in Yugoslavia year in, year out. There was a distinct possibility that Bank lending to Yugoslavia might have ended in the mid-1980s, had there been any support for an early proposal of the Reagan administration that richer recipients of World Bank loans should be "graduated" or denied further loans.

However, decision on this controversial issue has been put off, giving Yugoslavia a further breathing space. For at least the next two years there will continue to be a net transfer of resources from the World Bank to Yugoslavia, before repayments begin to outweigh new loans.

Funds under-utilised

THE EUROPEAN Investment Bank is considered an insufficiently tapped source of finance for Yugoslav infrastructure projects, largely due to Yugoslavia's own problems in making use of the funds.

The EIB some years ago committed 200m European currency units for road construction, railway modernisation and construction of the 400 kV national power transmission grid but it has taken time for the money to be utilised and the projects actually started.

Yugoslavia and the EIB co-operate on the basis of their first five year financial protocol which expires in mid-1985. Another 60m ECU was added to the original amount by an agreement signed last month, the funds being earmarked for the construction of four sections of the motorway linking Austria and Greece, and perhaps for the construction of the Karawanken tunnel between Yugoslavia and Austria.

Negotiations will start soon for the new protocol to become effective on June 30, 1985. It is likely to keep the EIB loans in the following five years at least at the same level in real terms, which means that in nominal terms in excess of 300m ECU will be lent by the EIB. The new protocol may be different from the old in as far as it may provide an element of subsidy or grant, in view of the fact that the infrastructure to be built also serves EEC

Output shows signs of recovery

Industry

ALEKSANDAR LEBL

YUGOSLAV INDUSTRY, if the first signs are not misleading, has started coming out of last year's recession. Its growth hit a post-war record low in 1983 —a mere 1.3 per cent—which deepened all Yugoslav problems, from rising unemployment and falling productivity to inadequate supply of exportable goods.

The first quarter of this year, however, was better than the same quarter 1983, with industrial output going up 3.8 per cent, and, with a 5.5 per cent growth in April compared with April, 1983, the rate of growth for the first four months went up to 4.3 per cent.

That recovery seems still to be uncertain. The rates vary, and very much, from one republic to another, or from industry to industry. While the four month rate was 17.1 per cent in Montenegro and 10.3 per cent in Macedonia, it was only 0.9 per cent in Bosnia and Herzegovina, while in the province of Kosovo there was a fall of 5.4 per cent. Likewise, shipbuilding had a growth of 22.3 per cent, industrial minerals processing 15.4, base chemistry 13.6, and the shoe and leatherware industry 11.6 per cent.

At the same time non-ferrous metals processing, machine building and some other industries were stagnating, and a number of sectors produced less than last year, including iron ore (−7 per cent), beverage industry (−7.7 per cent), building materials (−8.1 per cent), oil derivatives (−8.7 per cent), and tobacco processing (−9 per cent).

Some of those changes reflect deliberate government policies, including oil conservation and reductions in oil imports, or reduced investment in the country, on the one hand, and the stimulation of export oriented and import substitution industry on the other.

Generally speaking, the recovery is largely due to improved supplies of imported raw and intermediate materials. Compared to the first four months of 1983, imports of those materials have gone up by 15 per cent, while at the same time imports of equipment decreased 20 per cent — a state of affairs tolerable for one or two years but not indefinitely for an economy needing new technology.

Worker in the Banja Luka factory of Rudi Cajaveo, one of Yugoslavia's leading manufacturers of television sets

Supply shortages end

Thus, it would seem that the period of supply shortages, at least for industry, has come to an end. It has been recognised that a country of the size of Yugoslavia which aspires to increase constantly its exports cannot indefinitely go on cutting imports.

That change has been facilitated by credits obtained from friendly governments for procurement of raw and intermediate products, and by the Structural Adjustment Loan from the World Bank, serving the same purpose. But it is also thanks to the efforts of Yugoslav industry in increasing its own exports, not always at the best of prices and sometimes in goods that had to be imported later at a higher price.

Yugoslav industry, however, still could produce more raw and production materials for its own needs from domestic sources. Consumption of inputs, especially energy and raw materials, has been way above the average in the developed countries.

A new development is the apparent determination of the political leadership and the Government to stop rescuing all the industrial "lame ducks" that exist in all republics and provinces.

Thus, against fierce resistance, the largest project in Macedonia, FENI ferronickel mine and smelter, will be closed and the republic will have to find ways of paying the foreign debt of $550m.

In Croatia the Obrovac alumina factory has been closed. In Serbia a mediapan boards factory (but not the biggest money-loser, the Smederevo steel plant) has been shut and, in Bosnia and Herzegovina, a cement factory has also closed.

Managers' heads are rolling, though politicians and bankers bear as much responsibility. Thus, in Slovenia, managers of such giants as Gorenje and Industrija Motornih Vozil have received a less than honourable "discharge," and the same is happening in other republics

On the other hand, difficult times have brought to public attention those companies and their managers who have been achieving good business results, such as the Simpo furniture factory of Vranje in Serbia, a Kranj cotton goods factory in Slovenia and a small factory for metalware from the coastal town of Zadar.

Despite the frustrations, the Yugoslav manager typically gets a fraction of what his Western (and even Eastern) counterpart earns. If a manager gets $300 net per month he or she is not too poorly paid, and a monthly salary in excess of $500 is rather exceptional. (This is more or less what members of the Yugoslav presidency, prime Minister and cabinet members earn, plus their considerable fringe benefits.)

Interest rates soar

New government measures agreed with the International Monetary Fund have posed new problems for industrial enterprises and their managers. Interest rates have gone up steeply and will continue their climb until they reach one percentage point above inflation rate on April 1 1985. That has increased the debt servicing burden of most enterprises, as the level of self-financing in Yugoslav industry is very low. The government has promised to alleviate their tax burden and reduce other imposts on companies and has started doing it. Sceptics, however, argue that it amounts to emptying the ocean with the spoon.

Those who need not worry too much are manufacturers of goods with a low import component that can find markets abroad for their products. Because of the rapid downfloat of the dinar, their foreign exchange receipts rise in value almost daily, enabling them to pay higher wages and salaries and still have enough for new investments.

In this category are some manufacturers of heavy equipment, such as Rade Koncar of Zagreb, MAG of Belgrade, Gosa of Smederevska Palanka, and of consumer goods. Also, Yugoslav construction firms such as Energoprojekt of Belgrade, SCT of Ljubljana and others which have found work abroad, be it in the developing countries or in the East, have no reason to complain, except for the fact that they now face much tougher competition from South Korea and some other countries. However, construction firms cannot find enough work in Yugoslavia itself.

The following months will show how steady industrial recovery in Yugoslavia really is. At stake is not only the economic but also the political situation which could easily deteriorate if the country does not pull itself out of the problems largely of its own making, although compounded by the international developments of the past decade.

Growth potential rediscovered

Agriculture

ALEKSANDAR LEBL

THE conviction that agriculture could play a much stronger role in the Yugoslav economy is becoming firmer as time goes by. What experts always knew has been "rediscovered" by the politicians, namely, that agriculture has a vast potential for growth to satisfy not only local needs for food and most raw materials, but also to contribute much more to exports. As a result agriculture has been allotted a central role in the long-term stabilisation programme adopted a year ago.

Yugoslavia has some 14.3m hectares of farmland, of which about 10m hectares are ploughland and the rest pastures and meadows. Climatic conditions generally speaking are favourable. The climate ranges from temperate to Mediterranean and even subtropical, which allows a wide variety of products to be grown. Mostly there is sufficient rainfall, although in Vojvodina, Yugoslavia's breadbasket, there are more or less regular intervals of drought.

That potential has not been fully tapped, though much has been done. Since the war the volume of agricultural output has tripled compared with the average for 1930-1939, and output per capita has almost doubled. (There has been an increase in population of nearly 50 per cent).

Technology in production and processing has also been improved, so that yields in crop farming and animal breeding have considerably risen. Agriculture has been equipped with modern machines, mostly from local manufecturers. Expert services have been developed.

The share of the population engaged in farming has shrunk from three quarters immediately after the war to about one quarter. Even that is misleading, as in many agricultural households there are only older people who cannot till the land, For that and other reasons up to 10 per cent of potential ploughland remains untilled, which is one of Yugoslavia's big agriculture reserves.

Another 20-30 per cent of ploughland is under-utilised, for various reasons. In addition to the age problem, there is the fact that farm property has been increasingly fragmented, as a result of inheritance laws which give equal rights to all children, be they sons and daughters, rural and urban dwellers. The only limit is that non-farmers cannot own more than three hectares of land.

Efforts are being made to change the inheritance rules. More successful have been the attempts to prohibit the use of better land for construction of industrial and housing projects. This has so far cost the country several thousand hectares of good farmland.

Other significant reserves exist. In spite of the possibilities which exist to use watercourses for irrigation purposes, especially in Vojvodina, alongside the Danube and the Danube-Tisa-Danube canal network, only slightly more than 150,000 hectares are under irrigation in Yugoslavia. This puts it much behind its neighbours, who irrigate from four to 15 times higher shares of their farmland. Similarly, yields and output could be considerably increased by better use of artificial fertilisers and plant protection chemicals.

Land ownership limit

At present, only 0.8 head of cattle, one pig and one sheep are reared per hectare in Yugoslavia, whereas conditions would enable doubling and tripling the number. The milk, meat and other yields per head of cattle and sheep could also be significantly increased. Decades ago Yugoslavia had many more sheep grazing in its hills and mountains. Today, there are few people interested in working as shepherds, and local regulations make it hard for those still raising sheep to move their herds from one place to another.

One of the crucial problems of Yugoslav agriculture has been the current limit on land ownership of 10 hectares per person. This was established at a time when the bulk of the population was living on the land, not enough of which was available to satisfy all needs and when it was worked with simple tools. In the meantime a lot has changed. Many farmers, and especially their heirs, have left and found jobs in industry and services. Farm machinery has replaced horse-drawn ploughs. The number of tractors — ½m — owned by farmers exceeds their needs with the result that they are not efficiently used.

Sooner or later all this will probably induce the authorities to increase the 10 hectare maximum. Even now it does not apply to hilly and mountainous regions. Republics and provinces are free to set maximums for such land, and they have allowed 20 and even 40 hectares.

Socialised farms

This legal limit has, however, not stopped those willing to till more land from finding ways and means to do so. They rent land from those unable or unwilling to work it and pay in kind or cash. Socialised farms also sign contracts with older couples, paying them pensions depending on the amount and quality of land they cede.

According to some Japanese experts who have studied Yugoslav agriculture, it could produce enough to feed 80m people. That would mean exporting 2.5 times more than is consumed by the 23m Yugoslavs. That day, if it ever comes, lies in the distant future. But, meanwhile, Yugoslavia could export far more than it does at present.

In fact, 1983 saw a modest surplus of $100m in agricultural trade after 15 consecutive years of deficits. (That trade comprises also goods Yugoslavia does not produce, such as coffee, cocoa, bananas, or produces in insufficient quantities, such as cotton, wool, soyabeans, but also some which it could have in abundance.) This year that trend should be strengthened, and produce some $1.5bn in exports.

But this will not be possible if measures are not taken to alleviate the effects of a chronic shortage of foreign exchange which has made it difficult to import some basic inputs such as fertilisers, pesticides, spare parts or rubber tyres for tractors and other machinery.

Private farmers (83 per cent of farmland is owned by individuals) have to feel motivated too, to produce more. They rarely know in advance what prices they will get for their produce, because republics and provinces take a long time to agree. They have often been paying ridiculously low taxes, but some proposed charges, in Serbia for instance, go to the other extreme.

YUGOSLAVIA 4

An Olympic Winter of great content

BY HAPPY COINCIDENCE, Yugoslavia hosted the Winter Olympics just at the height of the booking season for summer holidays. By good organisation and some luck with snow, the Games went off without a hiccough. Yugoslavia got a great deal of free publicity precisely when many people were deciding where to take their summer break.

As a result, Mr Peter Bojkovski, deputy head of the Yugoslav tourist association, is confident that this year tourism will bring 15 per cent *more foreigners* to *Yugoslavia* than last year, and raise foreign exchange receipts by some 20 per cent above the 1983 level of $930m.

This year may still not break the records set in 1981, but the Yugoslav tourist industry hopes that future growth will be more stable, particularly if tourism can be spread more evenly, away from the Adriatic coast to the inland mountains, and if the season can be extended, attracting foreign visitors in winter as well as summer.

Ski fans, in fact, now have a much wider choice in Yugoslavia. For, in addition to the old established resorts in the Slovene Alps in the north, and the brand new Olympic set-up at Sarajevo in central Bosnia, Serbia is now trying to get in on the winter tourism act, with new ski facilities and 2,500-bed accommodation at Kopaonik.

Planned investment

A general advantage for West Europeans coming to the Yugoslav slopes, as Mr Bojkovski points out, is that school holidays in Yugoslavia come later than in Western Europe, around mid-January to early February, leaving Yugoslav facilities relatively uncluttered around Christmas and New Year.

Some new investment is also being planned inland for summer tourists, — for instance, the new time-sharing appartments being built in a joint venture with a Swiss company on the shores of Lake Ochrid, the beautiful inland sea that lies between Macedonia and Albania.

However, Mr Bojkovski admits that the country is still short of good hotel accommodation. Of its total capacity to house 1.2m tourists, only 300,000 beds are in regular hotels, with the rest at camping grounds, small pensions and rooms in private houses.

At the top end of the range, there is a need to increase the number of beds in luxury class hotels, particularly, Mr Bojkovski says, to attract American visitors. The Yugoslavs were enormously impressed by the U.S. interest in Sarajevo. Though this *may have been strictly limited* to the skiing itself, the Yugoslavs are keen to capitalise on their recent favourable publicity in the American market. Another factor is that security restrictions on U.S. civil servants and military personnel travelling to Yugoslavia were waived from this year.

At the lower end of the accommodation range, Yugoslav officials see an expansion in the private tourist sector resulting from the recent change in the law allowing private Yugoslav employers to hire up to 10 (instead of five as previously) non-family members.

However, Yugoslavia's main tourist asset is likely to remain its coastline, which is 6,000 km long if you include all the Adriatic islands. A recent frustration for the Yugoslav tourist industry has been their virtual exclusion from the growth in "nautical tourism." This has been run mainly by foreigners bringing in their own boats and chartering out their services in Yugoslav waters.

Mr Bojkovski says a number of measures are now being taken to give Yugoslavs more of this business, including a requirement that foreign boat charterers must have some local involvement to operate in Yugoslav waters, an increase in the number of berths in Yugoslav marinas, and the building of more 9 to 10 metre sailing boats to be hired out.

A depreciating dinar keeps holidaying in Yugoslavia relatively cheap compared to other Mediterranean countries.

Sustained growth rate the goal

Macedonia

DAVID BUCHAN

MACEDONIA, to use a metaphor which might appeal to football-crazy Yugoslavs, is like a hard-pressed second division team. It is conscious that it may never catch the first division Slovenias and Croatias, but proud of the progress it has made and determined not to join Kosovo in the third division of the Yugoslav development league.

Yugoslavia's southernmost republic, is therefore, still trying to forge ahead, when many of the other regions have perforce slowed down. Industrial output increased by 4.2 per cent last year over the 1982 level and by 10 per cent in the first quarter of this year compared to the same period of 1983, Mr Dragoljub Stavrev, Macedonia's prime minister says. In both industry and agriculture his republic's performance was well above the national average in this period, he observed.

The strain has shown up in two particular ways, however, he admits. First, Macedonian enterprises, mostly denied new investment credit (cut in real terms by 30 per cent since 1982 in the republic), have gone deeper into dinar debt with their banks in order to sustain or expand output.

Second, Macedonia has for the past 18 months had to conserve its limited energy for industry at the expense of householders who have in consequence often been left in the dark. With only 5 per cent of the country's coal, surprisingly little hydro-power potential for so mountainous a region, no nuclear power, and a rapidly developed primary metal processing industry which is a heavy consumer of electricity, energy is a major problem for the republic.

But Mr Stavrev is hopeful that a 210 Mw coal power station opened last year and a similar one due to start generating power any day now will help remedy this. The indefinite closure of the FENI ferro-nickel plant will also reduce industrial demand.

One of the reasons why Macedonia is still going for growth is thet it is a lot less worried about dinar debt than hard currency debt. It hopes that growth can be channelled into exports, and thus into servicing and redeeming the republic's foreign debt of $1.05bn. This is relatively large, given that Macedonia's annual hard currency earnings of some $400m on merchandise trade, plus another $400m in services and remittances from the many Macedonians working or living abroad, is regularly outstripped by hard currency imports of around $1bn.

Whet particularly perturbs Macedonians, as Mr Alexander Andonovski, the republican secretary of finance, complains, is the impact of dinar depreciation on hard currency debt. With each week foreign debts get more expensive to pay back in dinar terms. At the same time many of the Macedonian projects for which the money was borrowed—building roads or irrigating fields—have an innately low rate of return, and almost none of it in hard currency.

Safety net

In fact, Macedonia's repayments of its debts—as with all other regions of the country—are for the moment guaranteed by a new safety-net system. This places primary responsibility on the borrowing enterprise but, if that fails, then on its bank and, in the last resort, on the National Bank in Belgrade. Executives at Stopanska Banka, the main Macedonian bank which is celebrating its 40th anniversary this year, are confident that by 1986, when Yugoslavia may be eble to meet its debt obligations without rescheduling, foreign bankers will stop asking for national guarantees on new loans to Yugoslav regional banks like theirs.

A more fundamental reason why Macedonia wants to sustain a high growth rate is to prevent unemployment rising beyond its present level of 12 per cent. Some 125,000 Macedonians are out of a job. Mr Stavrev believes that this level of unemployment, which has stayed steady for some years, is not the result of Yugoslavia's economic cyclical downswing, but more deep-seated problems in the local economy.

This is the view also of Mr Najdenko Popovski, director of the Skopje institute for social planning and a member of the ruling executive council, who believes that Macedonia must become more involved in secondary processing. At present it concentrates too much on primary production, whether it be steel plate sold to the Croatian shipyards or wine sent to Slovenia for bottling. More "downstream" activities would also create more jobs and give Macedonia access to precious hard currency as a final exporter of finished goods. The feeling, among officials in Skopje, seems to be that the republic, which averaged an annual 6.7 per cent growth between 1950 and 1981, has to plan future industrial expansion more carefully.

A development laggard

Serbia

DAVID BUCHAN

SERBIA IS the biggest and most populous republic of Yugoslavia—more than one-third of the territory and more than two-fifths of the population—if its two antonomous provinces, Kosovo in the south and Vojvodina in the north, are included, both of which have that status because of their ethnically mixed populations. But Serbia proper, that is to say the area in the middle predominantly peopled by Serbs, still accounts for more than 60 per cent of the official Serbian republic's large territory and population.

Like other regions of Yugoalavia, Serbia can boast considerable progress in the post-war period. Many new industries were established, such as electronic, chemical, metal working, construction and others, older industries modernised and expanded, and whole new towns built.

In relative terms, however, Serbia has been increasingly lagging behind the rest of Yugoslavia. For many years its level of development used to be at the average for the country as a whole. In more recent years it has started falling below that. Where it stood in 1982 can be seen from the table.

These indicators are used in assessing which republics and provinces are underdeveloped and thus entitled to federal development assistance. Some 3 per cent of the social product of the country is used for this purpose.

By agreement reached long ago the developing republics entitled to development assistance are Bosnia and Herzegovina, Macedonia and Montenegro. Kosovo is a category in itself, entitled to special assistance over and above everywhere else.

For obvious reasons the areas with underdevelopment status try to maintain it as long as possible while the more developed would like to reduce the number of assistance recepients and thereby the burden of that assistance. While discussions on that never stop, they are especially shrill when the new five year plans are prepared, as is now the case with the 1986-1990 plan.

Serbia's complaint is that it cannot continue shouldering the burden of assisting other republics while its own situation has been deteriorating. Therefore, it wants to revise the list of underdeveloped areas and the scope of assistance.

The Serbian government also points out that it has to face the growing problem of its own underveloped regions, mainly in the south. The picture would be worse if Belgrade, capital of both Yugoslavia and Serbia, did not weigh heavily in the statistics.

The 1981-85 federal plan stated that "measures will be taken in order to halt the relative lagging behind of Serbia proper." But no practical measures have been taken so far. Now the government of Serbia is insisting on the problem being seriously tackled.

This means that the Serbian leadership has to shed some of their inhibitions in raising the question of Serbia's economic position within Yugoslavia. These inhibitions have their roots in pre-war times, when Serbian politicians held power in Yugoslavia, after the Serbian army and government made the *major contribution towards* welding the new Yugoslav state from parts of the defunct Austro-Hungarian and Ottoman empires and independent kingdoms of Serbia and Montenegro.

Serbia dominated Yugoslavia in 1918-1941 mainly by keeping control over the army and police. But they were weak compared with the richer Croat and Slovene middle class.

Serbia in those days had somewhat higher rates of growth than the more developed Croatia or Slovenia, but from a very low start, so that it was constantly behind them.

The Communist leaders of Serbia, criticised pre-war Serbia for oppressing and exploiting other Yugoslav peoples. After they came to power they were psychologically disarmed from pushing the cause of Serbia. Then came the break with Stalin in 1948. The federal government, fearing a Soviet attack, ordered many industries to be moved west from Serbia to the central parts of the country and new investments there were given priority. Thus the take-off in Serbia was impeded.

The newly-elected Serbian Communist party and government leaders face an uphill struggle to revitalise the economy, a prerequisite for reducing mounting political and social tensions and for combating rising Serbian nationalism. The latter is also a backlash to Albanian nationalism in Kosovo itself aimed at the Serbs there. The number of unemployed is high, especially among the young. That creates fertile soil for all kinds of political dissent which induces in return crack-downs on dissenters and the like.

The capable young head of the Serbian planning bureau, Miss Zivana Olbina, is confident thet economic problems will be basically overcome within the next few years. Serbia under the latest plans will put further priority on exports, hard currency markets in particular.

REGIONAL ECONOMIC DEVLOPMENT

	Fixed assets per worker	Social product per capita 1980-82
Yugoslavia	100.0	100.0
Bosnia-Herzegovina	81.4	70.9
Croatia	121.8	127.3
Macedonia	71.3	65.6
Montenegro	116.0	79.4
Serbia	80.5	95.1
Kosovo	43.4	32.6
Vojvodina	114.4	125.4
Slovenia	198.1	182.3

THE ARTS

Juda Rowan, Tottenham Mews, London W1/William Packer

Unwrapping the world of Christo

It often happens, such are the effects of fame, or notoriety, that an artist becomes fixed in his reputation upon work of a certain kind, sometimes even upon a single piece or image — Pollock and his drips, Henry Moore's holes, Dali's soft watch, Carl Andre's bricks, are only a few of the examples that, pace Dr Johnson, come uncalled into our thoughts at once. And Christo, who some 15 years ago wrapped up a million square feet of the coast of New South Wales in erosion control fabric, is another, fated no matter what he had done before, or since, to be remembered in the public mind as that desperate figure on the cliff top wrestling with wind and rope to keep all his cloths on, or rather down.

Now up to a point there is nothing wrong in this, and no artist would wish his most grandiose and extravagant schemes to be entirely disregarded; but what should also be remembered is that art rarely comes out of nothing only to disappear altogether — it is the reputation itself rather than the work that would be any nine-days' wonder. Christo is not that rarity; his career now extends over nearly 30 years, and if his work does have a certain consistency to it in its preoccupations, both formal and conceptual, it is also patently true that it has developed, moderated and changed. The succinct retrospective that now occupies the Juda Rowan Gallery (until September 1) objects, collages and drawings for his many projects since 1958, makes the point.

He is as straight-forward a Surrealist as one could reasonably expect of that predictably perverse and erratic movement as it has moderated through the conceptualist developments since the 'fifties; and the idea which has principally engaged him has an honourable surrealist provenance. That which you can't see, you must imagine; and, as every fetishist will tell you, the very act and trappings of concealment soon become themselves the focus of speculation, anxiety, imaginative stimulation.

We fall feverishly upon the parcel, or whatever, untying, unstrapping, loosening, and for a moment we are never so conscious of what is within as when it is still hidden and kept from us. There is a famous drawing by Henry Moore, dating from 1942 and made entirely from imagination, of a crowd of people gazing up at a strange tied up object that in its scale must be some 25 feet tall, and no-one dares make a move towards it.

Christo began on rather a smaller scale than that, making parcels of cans, or simply parcels that were no more than themselves, merely the structures and supports wrapped up that made the wrapping possible. But if physical content of some kind was necessary in any case, it was perhaps necessary that it should be known to be so, and so the objects were declared and sometimes even made visible—as with the tables and chairs in polythene of the early 'sixties. But now imaginative ambition would grow rather beyond the scope of gallery and exhibition, unless expressed only in terms of maquette or graphic proposal. Christie moved out into the streets with his barriers and barricades of oil drums, and brought the street into the gallery with his doorways and shopfronts, the blinds drawn down, the facades unlettered, the whole as blank and anonymous as a parcel without a stamp, or even an address.

More and more it would be with him that the work should exist, if possible, on the largest scale; and with this his activity as an artist begins to change. A temporary barrier across a street may be one thing (Rue Visconti, Paris 1962), the proposal to wrap up the Flatiron Building (1968) or the Reichstag (1972) quite another. The artist becomes entrepreneur in his own interest, drumming up sponsorship to make even what might seem to be the wildest of his schemes possible; and some of them are indeed taken up and executed—that wrapped coast at Little Bay (1969), the

Christo with some of his wrapped furniture

Valley Curtain at Grand Hogbeck in Colorado (1972), the Running Fence across Sonoma and Marin Counties in California, 24½ miles long (1976), 6½m sq ft of pink woven polypropylene fabric floating on the sea around the islands in Biscayne Bay in Florida (1980-83).

So the work goes on, with 1¼m oil drums here (a project for Houston in 1969), 36 miles of rope there (NSW 1969), or it might be a mere 800 tons of concrete and 110,000 lbs of steel cable (Colorado 1972), or 90 miles of steel cable (California 1976). The sheer scale of his enterprise can at times take the breath away.

But the strange thing is that truer perhaps to his fundamental idea, we almost begin to regret that such colossal schemes are ever realised; for no matter how long the fence, or how deep the valley, the work once made has a finitude, and the engineering that supports it a mundanity, that deflate the imagination. Before the drawing or maquette, we ourselves project the idea on to our own imaginative reality: and the drawings are vigorous and practical and beautiful besides. Outside the Gallery, Piccadilly Circus is wrapped up as it is.

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With last week's *Hard-Won Image* still in mind, the exhibition of recent paintings by Barrie Cook at the AIR Gallery in Rosebery Avenue (until July 21) makes the point as well as any that the "hard-won" can never be exclusively applied to figurative painting. Until lately his work was characterised by vertical bars of colour, atmospherically modelled by the air-brush, that moved and shifted against the picture-plane to articulate an ambiguous, unfocused space.

This show marks the move away from that position towards imagery that is no less ambiguous in its implications, but describes a clearer space, and a more solid form. The loose surface of the air-brush has been superseded by a thick and densely worked impasto of oil paint, that complements the weighty presence of these dark, striped mounds, that might be shelters or hives of some curious kind. But the work is still in transition, and if the shelter paintings are the most resolved, and physically the most satisfying, the newer work is opening out into something rather less specific, and more cosmic in its associations; great swirls of sky and sunlight. Cook is too good an artist not to work his way through to some conclusion, and the fact that this is his first proper London show since the Whitechapel in 1974 makes it all the more important to keep an eye on what he is doing. He shares this exhibition with Eric Moody, who is showing drawings and relief constructions.

Savonlinna Festival

The King Goes Forth to France

East Finland in summer, when the sun is warm and the chains of lakes and forested islands glitter, is one of earth's wonderful places; and opera there, in the courtyard of Olavinlinna castle at Savonlinna, with its stony grandeur of facade and excellent acoustics, seems to become an entirely natural pursuit — not the delectation of canary-fancying *cognoscenti* but a serious, noble, intensely enjoyable popular art form. As if all this were were not sufficient to reward the visitor, this year's Savonlinna Festival offers the first performances of the third opera by Finland's leading composer, Aulis Sallinen — *The King Goes Forth to France*, a commission shared by Savonlinna, the BBC, and Covent Garden.

Sallinen's development as one of the very few natively gifted opera creators alive today, marked by *The Horseman* (Savonlinna, 1976) and *The Red Line* (Helsinki, 1978) (and closely followed on this page), is of the greatest interest; and the unveiling of the new opera, not just because of the British connection, was an event of major importance on the international operatic scene.

It was also, in the best way, exciting, disturbing, and continuously surprising. For after the statuesque Northern epic of the first opera, and the passionate neo-verismo of the second, Sallinen and the librettist Paavo Haavikko (writer also of *The Horseman*) have come up with what one might describe, *insecurely*, as a picaresque black comedy in three acts, very bleak and serious beneath the often near-farcical surface, which discloses an allegory or, as the creators subtitle it, "a chronicle of the coming of the new Ice Age."

"Insecurely" must be the crucial adverb modifying any attempt to label *The King*. The plot, clear in outline, proves fascinatingly elusive in poetic detail—more than one English-speaking Finn was heard to mutter that it was only on reading Stephen Oliver's amplified translation that any understanding of Haavikko's text could begin. A new Ice Age approaches England; it has already solved the Irish question, the Prime Minister declares. The English Prince, self-promoted at the end of Act 1 to King, decides on a whim to attack France via passage across the *already frozen* Channel.

Four potential suitors for the King's hand, none of whom he marries, one of whom goes gently mad, are enmeshed in the tale; and as it proceeds, incidents (battle of Crecy, siege of Calais) begin to parallel those of the 100 Years' War, as well as to be marked by a parallel growth of mindless violence. (An English archer, heard confessing a desire to escape his duties, has his back flayed and his ears cut off.) The finale, as the English set off for the attack on Paris and the route to the south, is a wonderfully equivocal piece of work — the trappings of civilisation may be disappearing with the "fleeting springtime," but there is exultant energy for the battle ahead, and it is expressed in a brilliantly achieved ensemble for the entire company, the opera's first.

"What is it all *about?*" was the question on all lips. Wisely, both composer and librettist (who stayed away from Savonlinna) has kept resolutely quiet. A vision of a post-nuclear society, or an allegory on the future return of Fascism, were two interpretations much aired. After two encounters with the opera I venture a rather more open-ended suggestion: that it is centrally concerned with the collapse of civilisation and its values, and with the rise of irrational forces that usually accompany the process. But any interpretation, however, plausible, remains less than the whole truth—which is that an opera so full of musical and dramatic energy must resist a single summary formulation, and that, rather than attempting to endure one, attention should be directed instead to the celebration of a theatrical vision so powerfully captured in and by its music.

For it is music of tremendous sweep, confidence, and theatrical vitality; appreciation of the influences in Sallinen's back-

Max Loppert on an epic work that must come to London

ground—Shostakovich ascendant among them—only underlines the distinctness of his own voice, the authority of his command of theatre. If the three operas were Shostakovich symphonies, one could say that *The King* begins, and for much of its course continues, in the vein of a fiercely exuberant Shostakovich scherzo, at once zestfully comic and darkly pessimistic, its every change of mood signalled by the battery of percussion. That's perhaps a cumbersome way of "placing" the longterm mastery of tonality and structural form; but Sallinen's gift for limning the right vocal gesture, for varying texture, for balancing and blending diverse combinations of voices, for modulating from speech (an important minor part, Froissart the historian, goes to an actor) into song and pathos into raucous parody, is all his own. His language will confuse those with rigid notions of musical "progress" — but then, the ability to say complicated things in a manner simple and broadly comprehensible is always disconcerting.

It was fortunate, though to past Savonlinna visitors predictable, that the performance should be musically first-rate—conducted with superb authority by Okko Kamu; superbly played and sung by festival chorus and orchestra; and brilliantly led by the baritone King of Jorma Hynninen (surely one of the world's handful of great singers), the bass Prime Minister of Jaakko Ryhänen, and the English Archer of Tero Hannula (another fine Finnish baritone). It was unfortunate, and unpredictable, that Kalle Holmberg, admirable producer of both previous operas, should have contrived a staging, undeniably "effective" and often striking to look at, that obscured so many of the opera's most original features—the comedy (there was much business in the production but little humour), the emotional contrasts provided by the female-dominated scenes (suitors dressed as Japanese dolls were especially curious), the logical progression of apparently illogical events (an overlay of modish claptrap in the decor proved notably unhelpful).

Nevertheless, the originality of the achievement emerged through every such hazard. Rumours were flying about Savonlinna that both the BBC and Covent Garden might be planning to withdraw from further involvement in it—Covent Garden has already postponed the announced première a year, and fears that the same might happen again are all too easily easily understandable in view of the artistic morass (and apparent overall disengagement from the later 20th-century repertory) in which the house currently finds itself. Delay must not be countenanced; the need for a second, and entirely different, production of this significant and exhilarating opera is far too pressing.

'Jazz on a Summer's Day'—for two days on BBC 2

On Saturday and Sunday, July 28 and 29, BBC2 will be devoted almost exclusively to programmes featuring jazz. The weekend has borrowed its overall title *Jazz On A Summer's Day* from the film made at the 1958 Newport Jazz Festival, which is among those scheduled for showing. Humphrey Lyttelton and Russell Davies will act as hosts during the weekend introducing what is described as a "cornucopia of performance programmes, feature films and documentaries."

Davies has written and will present a Louis Armstrong documentary. Other highlights of the weekend include *Jammin' the Blues*, a 10 minute black and white short, directed by stills photographer Gjon Mili in 1944, a programme of British jazz, recorded at the 100 Club in Oxford Street, and *The Sound of Miles Davis*, a black and white film featuring the Miles Davis Quintet and the Gil Evans Orchestra made in 1959.

The Royal Tournament/Earls Court

Michael Coveney

The *theme* of this year's Royal Tournament—the 104th —is a day in the life of the Royal Navy as seen through the eyes of a young officer. The officer's words are written by Rosemary Anne Sisson and delivered (on tape) by Prince Andrew. The vast arena becomes the deck of an aircraft carrier. An unspecified attack looms, a Harrier taxis forward for launch, gathering speed as it approaches the Warwick Road end. The noise accumulates, the Harrier disappears in a blackout and two model Sea Wolf missiles fly at astonishing speed through the building . . .

After this sensational opening, the slick majesty of the massed bands of the Royal Marines (about 250 of them) is followed by the predictable display elements of Alsatian dogs jumping through flaming hoops, the Royal Horse Artillery charging around with powder cannons, and a motor cycle team criss-crossing at 60 mph, which seemed not to alarm one of my party of little Action Men but reduced me to a quivering jelly.

This was my first Royal Tournament. The occasion, as far as I am concerned, belongs to that patriotic sub-culture of tattoos, troopings and royal processions for which a two-minute glimpse on the news highlights will more than suffice. It is a world of pointless machismo and competence —typified here by an exciting field gun competition that is like watching the *Siege of Mafeking* interpreted by the Keystone Kops—patronised by boy scouts and the British Legion in the boneyed vocal accompaniment (as at Earls Court) of an amplified amalgam of Tom Fleming and Dorian Williams sounding like Raymond Brookes-Ward.

One is convincingly reminded, however, that these operations and kerfuffles are the tip of the iceberg and it is impossible to sit through the show without being grudgingly grateful that all of these chaps are at least on our side. Prince Andrew is now a *bona fide* war veteran of course, and no doubt the Falklands campaign has lent something like the Royal Tournament a new validity in the eyes of its sponsors and audiences.

While the arena itself is splendid the outskirts and general facilities are as depressingly run-down and overcrowded as are those at Wembley Stadium. There is a dowdy, Festival of Britain on holiday at Butlin's atmosphere about the whole experience; that peculiar British leisure-time mixture of masochistic crowd instinct and patriotic jollity. But when dusk falls on on the carrier and the audience rises for "God Save the Queen" it would be churlish to decry the dignity of silent ordinary middle-aged people all round, indulging in memories and private sorrows.

MusICA 84/ICA

Max Loppert

The principle underlying Adrian Jack's Sunday-evening concerts at the ICA (sponsored by Diners Club International) is a determination to reveal to the London new-music scene worthwhile figures who may be ignored by or unknown to *similar enterprises. It's* an admirable, generous, and necessary principle, even when one disputes Mr Jack's estimation of the figures in question, or when the result is a rather thin programme such as that presented last night: a half-hour, four-piano composition, *Frieze* (British premiere), of the Californian John McGuire, followed by two for two pianos by the Irish Gerald Barry.

In *Frieze*, a personal kind of "system music" is developed; two of the pianists exchange repeated figures, repeatedly, while the other two provide accompaniments, until at a signal different aspects of the basic repeated figures are thrown up in different rhythmic patterns by different groups of partners. The sequence goes round, varying its texture and ensemble but not its gentle, delicately coloured flow, without break until snipped off at the close.

There seems no reason why it should not have continued another half-hour (or even two) at least, for though the basic patterns may contain angularities the purpose appears to be to smooth them out and smooth the audience's concentration likewise, into a state of relaxation amounting to torpor.

From a Dublin 20th Century Music Festival some years back I recall Gerald Barry as a young composer with a piquant sense of humour and an individual, economical "ear." The first of the two ICA pieces was a long unison melody broken by sudden silences; the second, Five Chorales, proved to be five Satie-and-water fragments highlighting different features of *two-piano* technique. Both suggested that humour and "ear" had gone astray. The two-piano team of Peter Hill and Douglas Young was completed, in the McGuire, by Peter Sievewright and Keith Swallow.

The Joeys/Bloomsbury Theatre

Antony Thorncroft

The Joeys are something of a joke. They look funny, knowing that much humour comes from body movement; they are aimable and attractive, which makes you look on them kindly; *their material, sketches* interlaced with music, have a charm that recalls the Cambridge Footlights in their prime (as do some of the subjects). At their best it is *Beyond the Fringe* revisited.

But the biggest joke is against themselves. For The Joeys are a committed foursome, committed to the debunking of the presumed macho pretensions of their fellow males: inevitably there is no *sexist material* in their act. But the avoidance of old stereotypes does not stop them coming up with a fine set of the stereotypes of agitprop.

RAF pilots are inevitably portrayed as Hooray Henry's; Americans are demented red hunters; judges are senile perverts. The Joeys have so self-censored themselves that they would delight a commissar, and although I liked the New York modern ballet sketch and the verbal *wrestling* sketch, the safe predictability of it all prevented me from laughing. However if you like saluting with clenched fists you'll feel safe this week at the Bloomsbury. There is a visit to the Edinburgh Festival to follow.

Jorge Bolet/Bishopsgate Hall

Dominic Gill

One of the most delectable treats of this year's City of London Festival is to be had daily opposite Liverpool Street Station in Bishopsgate Hall—where every lunchtime this week Jorge Bolet (readers of this page should by now need no introduction) offers a recital of piano music.

Liszt is the dominant theme. Yesterday he gave us four pieces from the second *Année de pèlerinage*—a *Sposalizio* grandly restrained, and splendidly de-vulgarised, sustained by the conviction that it is not only a tremendously effective effusion but of considerable textural and harmonic interest as well; an *Il penseroso* drawn in wonderful subterranean colours; a *Canzonetta del Salvator Rosa* to which he should ideally have matched an Italian salon tenor (the song sounds a little flat for solo piano alone); and a broad and powerfully driven Dante Sonata.

He played nothing in this last directly to the gallery, or for blatant *lagrimoso* effect. The climax was exactly placed; tension was heightened at one point by some jubilant reverse dynamics of which Liszt would surely have approved. Bolet introduced his Liszt mini-recital with a thoughtful, dreamily precise account of Haydn's F minor Andante and Variations, austere in its sombre shading, flowering just once into rich and luxuriant bloom. Today there is the Petrarch sonnet no. 104, *Liebestraum* and the 12th Hungarian Rhapsody, with Beethoven and Schubert. At £1.50 an hour of Bolet must be the best value lunchtime in town.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

July 13–19

VIENNA

The Vienna Chamber Opera perform alternately Johann Strauss' Wiener Blut and Mozart's La Finta Giardiniera daily (not Sundays) until August 14, at Schönbrun Palace Theatre.

Johann's Strauss' Die Fledermaus conducted by Rudolf Bibl, at the Staatsoper, Monday and Wednesday

F. Conti's David performed by the Ensemble Musiqva Antiqva conducted by Bernhard Klebel, at the University Church, Dr. Ignaz-Seipel-Platz. On Monday and Thursday. (340699).

ITALY

Milan: Teatro alla Scala: Donizetti's Lucia di Lammermoor conducted by Giuseppe Patane, directed by Pier Luigi Pizzi and with costumes by Missoni. Luciana Serra, Nella Verri and Lorenzo Gaetani. Friday (809126).

Macerata, Arena Sferisterio (20th opera season): La Bohème conducted by Jose Collado and directed by Ken Russell - with Cecilia Gasdia and Nazzareno Antinori. Friday (40736).

Verona: Arena di Verona (62nd opera festival): Aida - with scenery and costumes based on those used in Cairo in 1913, the year in which the opera had its first performance in the Arena here (Friday). Also Tosca conducted by Daniel Oren, and directed by Sylvano Bussotti, sung by Shirley Verrett in the title role with Giacomo Aragall (Cavaradossi) and Silvano Carroli (Scarpia) on Sunday (28151).

Rome. (Rome Festival): In the Cortile del Collegio Romano Mozart's Marriage of Figaro conducted by Fritz Maraffi on Fri, Sat, Wed and Thurs (3452845).

PARIS

Paris Opéra: Tannhäuser, Werther and a Stravinsky evening are in the repertory this week (7425750).

Opéra Comique-Salle Favart: Manon and a Stockhausen evening alternate this week. (2960611).

WEST GERMANY

Stuttgart, Württembergische Staatsoper: Hans Werner Henze's rarely played Don Quichotte stars Regina Marheineke and Kimmo Lappalainen. Ariadne auf Naxos has Maria de Francesca-Cavazza and Irmgard Stadler in the cast. Philip Glass' opera Echnaton composed especially for the Stuttgart opera and premiered on March 24, is produced by Achim Freyer and has counter-tenor Paul Esswood outstanding in a cast of high standard. Further performances of Rigoletto, sung in Italian, and Die Fledermaus.

Munich, Bayerische Staatsoper: Munich's annual Opera Festival, running from July 4 to 31, opens its third week of performances with La Bohème starring Mirella Freni, Lucia Popp and Wolfgang Brendel. Der Barbier von Bagdad is an Otto Schenk production which brings together Lucia Popp, Kurt Moll and Claes H. Ahnsjö. The praised new production by August Everding of Honegger's Johanna auf dem Scheiterhaufen has Cornelia Wulkopf and Julia Varady in the leading roles. The final offering this week is Le Nozze di Figaro with Margaret Price, Ann Murray and Hermann Prey.

LONDON

Coliseum: The Dance Theatre of Harlem continues its visit with mixed programmes, and on Wednesday and Thursday the first performances of its Giselle staging which is located – according to the programme – in the Creole society of Louisiana.

Royal Opera House, Covent Garden: The Royal Ballet is playing every night, with Manon and The Sleeping Beauty on offer this week.

NEW YORK

New York City Opera (New York State Theater). The company's 40th season has a week of performances of Candide, as well as Frank Corsaro's production of Madame Butterfly, Scott Bergeson conducting. The Magic Flute and a subtitled La Boheme with Judith Haddan as Mimi. Lincoln Center (8705570).

Merchant of Venice/Chichester

Michael Coveney

Since his last stage appearance in 1977, Alec Guinness has been consolidating his television reputation to the delight of the nation. His Shylock, a role he has not played before, is, as you would expect, graceful, low-key, and expertly crafted. He cuts a truly impressive figure of alien dignity among the Christian corn, and in this he is much abetted by a production which, though unsatisfactory in some respects, *nonetheless tackles* the main problem of "sympathy" in a decisive manner.

The thrust stage is dominated by the huge peeling walls of a Venetian piazza which, upon closer inspection at key moments—Bill Bray's lighting is crucial—marks the entrance to the Jewish ghetto. The evening opens with the distant wail of Jewish violins while an insistent wind whistles around the mercenary Christians, presaging Antonio's losses at sea. Shylock is endemic to the Venetian world of transactions but anathema because of his religion.

The design of Pamela Howard puts into the play a suggestion of Venice as viewed predominantly by the furtive tolerated alien, rather as Arnold Wesker provided in his fascinating rewrite some years ago at Birmingham Rep. We see Guinness slipping in and out of the ghetto gates, a yellow circle on his gabardine, a neat trim figure in a skullcap and a beard that is both grizzled and flourishing, a cultured man whose biblical quotations are unforced exampla in his conversation, not hysterical assertions of his semitism. For once you feel that Antonio, Gratiano and the rest are not just inferior but also impertinent to invade his territory. For a play which hinges on the strict interpretation of the law, it is indeed a chilling moment when the inscriptions on the red brick walls become legible: we read of Christian guards at the gates, of the danger to God-fearing subjects should Jews scatter themselves throughout the city.

This classic statement of anti-semitism, in cold lettering, underlines the mood of the evening and lends Shylock even more of our sympathy than perhaps he should expect. It explains why he so fanatically insists upon the letter of the law in the court room—where, incidentally, Guinness emerges like a mole in the light—and makes the final defeated exit even more poignant.

Casting a long shadow over the ring exchange nonsense of the Belmont coda is Guinness's sudden reflection on the loss of his wife's ring. He feels this even more than the departure of his daughter and his ducats, and the realisation is one of those classic Guinness moments of still, sad, private, unforced emotion. He then retreats within the ghetto, to an accompanying cacophony of unseen jeering children.

Exclusion is the name of the game too after the judgment goes against him. The Christians and the court huddle together to draw up the deed of deprivation as Guinness trails sorrowfully away. "I am not well. Send the deed after me, and I will sign it" becomes a dignified admission of defeat by a man broken in a game for which he anyway reserved a certain distaste.

Guinness is beautifully dressed throughout. This Shylock takes care about his appearance. He has a flattened fur Cossak hat for business, and a magnificent jewelled undergarment in the trial. Guinness's disguise, as usual, is achieved with minimal means, his physiognomy strangely altered merely by growing a beard.

The rest of Patrick Garland's production is so-so. David Yelland's Bassanio and Richard Warwick's Antonio do not avoid the embarrassing cliché of obviously being meant for each other, while Joanna McCallum's tall Portia (contrasted with Jane Carr's tiny Nerissa) is a principal boy advocate. Peter Sowerbutts's Young Gobbo is the unfunniest in years, and that's saying something: not a jot of feeling in the comic reunion with his father.

Leslee Udwin is a notable Jessica although it is difficult to understand why she hates her

Alec Guinness: graceful, low-key performance

father so much. It must be the orthodoxy. At first, she is kissing the mezzuzah on the lintel each time she crosses the door and veiling herself at the approach of a gentile. In the final Belmont scene—where the lyricism goes quite out of the window—she is in a low-cut dress and tossing her hair all over the place. A fine performance.

The casket scenes are more painful than ever, despite Miss Howard's glistening lace drapes, and Jeremy Hawk's Doge of Venice looks just like the Doge of Venice.

UK COMPANY NEWS

Brown Shipley to raise £6m by rights

Brown Shipley Holdings, banking, finance and insurance broking group, one of the smaller of the accepting houses, is raising £6.03m through a one-for-five rights issue at 260p per share. Cazenove are arranging the underwriting.

The chairman of Brown Shipley, Lord Farnham, says that the group has no specific acquisitions planned, but needs the funds as additional working capital to develop existing activities.

Towards the end of the last year to March, the company strengthened its banking subsidiary by injecting £3m into it. He says that opportunities appear particularly attractive in foreign exchange and commercial banking for customers engaged in overseas trade and in the development through Medens Trust, its instalment credit subsidiary, of personal lending activities.

Brown Shipley intends to expand its leasing company Lease Management Services which it expects to benefit in the long term from the changes in tax allowances announced in the Budget.

The areas where Brown Shipley expects it might make acquisitions in the future are within its insurance group and certain service areas in the banking group, particularly in the fund management field.

The board warns shareholders that it expects markets to remain "volatile and full of uncertainties and that margins will remain extremely competitive." It says that with the "encouraging trend" in profitability of the last few months, it should be able to at least maintain the level of dividend on the share capital of the company as enlarged by the rights issue.

Dealings in the new shares are expected to begin on Thursday August 9 and will not rank for the final dividend of 5p per share to be paid on August 6, in respect of the year ended March 1984.

● comment

Brown Shipley has had a quite modest growth record in recent years. Disclosed group profits after tax rose only slightly from £2.81m to £2.64m in 1984. Earnings per share increased from 21.9p to 22p and net assets per share from £2.86m to £2.98m. The board has said that the going is tough in all their markets described as "volatile" and "full of uncertainties," and there is not a lot a group can do with £8m. Brown Shipley has little to distinguish it from its competitors besides the success of its UK specialist school fees operation in the insurance group and the status of membership of the Accepting Houses Committee on the banking side. On the other hand the discount to yesterday's share price of 335p at 260p per share is quite generous and should encourage shareholders to take up their rights.

Applied Botanics cash call

By William Dawkins

Applied Botanics, the troubled potplant company quoted on the Unlisted Securities Market, is calling on shareholders for £1.7m following a £600,000 loss at its New Ruaton Garden subsidiary.

The group, which joined the USM last October, warned in March that New Ruaton would not meet its prospectus profits forecast of £200,000 before tax in the year to March.

New Ruaton was unable to adjust its production to unforeseen changes in demand with the result that it had to buy in mature plants at considerable cost and its planting cycles were thrown into chaos. Yesterday's announcement sent the shares down 2½p to a new low of 7p.

The losses include a £250,000 exceptional charge relating to the cost of making 70 of the group's 230-strong workforce redundant. As a result of the setback, group borrowings have risen to £2.3m, nearly twice net tangible assets of £1.2m.

Most of the losses relate to the period before New Ruaton was acquired by Sampang (Java) Rubber Plantations, which was renamed Applied Botanics last September. The group reported yesterday that it made £5,000 in the year to last December on turnover of £1.08m — the prospectus forecast a break-even position.

Mr Jeremy Pertwee is to resign as chairman, but will continue to act as a consultant to the group. Mr John Keatley, managing director of NPK Holdings, a privately-owned fertiliser manufacturer, is to become non-executive chairman.

Shareholders are being offered six new shares at 5½p each and £1 nominal of new convertible stock at par for every 31 shares in issue. The aggregate subscription price of each of the 1.35m rights units amounts to 133p.

REA Holdings, the plantations group, has undertaken to take up its rights in respect of its entire 30 per cent stake in the group and underwrite a further 30 per cent of the issue. Noble Grossart, the merchant bank, has underwritten the rest.

● comment

It is hard to see how Applied Botanics could be viable after this new injection of capital. Even after the rights issue, borrowings will be £1.5m against net tangible assets of £1.57m. In its favour, Marks and Spencer, which takes some 40 per cent of New Ruaton's output, has given assurances of support. Meanwhile, the directors are setting up a plant trading division which should help ride out any of the fluctuations in demand which its growing operations have been so disastrously unable to handle. In future, one-third of the Clacton nurseries will be set aside to provide some leeway for unexpected market changes, and the group has slimmed down its range from 80 to 60 varieties, abandoning those plants which are easy to buy or difficult to grow. Clearly, Applied Botanics has learned from its mistakes, but it will be a long time before it regains the City's confidence.

Overall progress lifts Vinten to £4.2m

IN A YEAR of "good progress for the development of the group," pre-tax profits of Vinten Group have risen 24 per cent to a record £4.16m.

The result compares with £3.29m last time, and includes 10 months trading of the Trivector Group and one month of S. Davall & Sons, both acquired in the course of the year.

Turnover, including the proportionate contribution from the two acquisitions, improved by 29 per cent from £17.74m to £22.95m. The group manufactures military systems, television systems, electro-optical components, computer systems and scientific instrumentation.

The directors have proposed a final dividend of 1.89p net, up from 1.645p, which lifts the total from 2.45p to 2.8p on capital increased by acquisition. Earnings per 20p share rose by a stated 2.9p to 13.9p.

Commenting on the performance, Mr Michael Brown, chairman, states that each of the group's four main activities has made a "meaningful contribution" to profits.

The results of the group's activities based abroad are now material to its overall performance, he says. Exotic Materials, based in the U.S., increased its sales by 41 per cent to $6.98m.

W. Vinten had an "excellent" first half when it completed a major military contract but a dull second half because of a much lower content of such work. More than compensating for this, W. Vinten GmbH, Exotic Materials, Trivector and Vinten Instruments all produced "outstandingly successful performances" in the second half.

The return on average net operating assets employed at 33 per cent was significantly above the industrial average.

In February 1984 the group assumed the SIG Davall borrowings of approximately £2m. Nevertheless, its balance-sheet is still strong; net cash and near cash balances total £1.47m.

During the past two years, the chairman continues, "we have invested heavily both in our traditional activities and in acquisitions to give us the present well balanced base in growing markets from which we now expect to see real benefits flow through."

Trading profit was up from £3.29m to £4.03m, to which interest added a further £129,000 (£62,000). After tax had taken a larger share at £1.49m against £1.35m, net profit came out at £2.66m (£2.01m).

There was an extraordinary debit of £182,000 last time, while the £964,000 provision for deferred tax in the year under review, a result of the Finance Bill proposals, was met by a transfer from reserves. The dividends took £570,000 (£461,000), to leave £2.09m (£1.36m) in retained profit.

● comment

The market was expecting more from Vinten and duly punished the group taking the shares down 14p to 244p, their lowest for the year. This reflects a slight decline in sales and profits in the group's older businesses—TV camera mountings and military reconnaisance mountings. However, in the current year orders on the TV side are 17 per cent up; the military business has secured at least one of the major orders which were conspicuously absent last year and should also begin to profit from two new products—an autogyro and an infantry-operated tracking mount. Equally importantly, Vinten's profits are looking more secure than in the past because the growth is better balanced throughout the group. The radiation instruments business has been turned round from loss into profit, and computing has been successfully expanded following the acquisition of Trivector. Electro-optics, making parts for infra-red and other sensing equipment, is also growing rapidly—both in the very profitable U.S. arm and in the UK business, which is moving out of the development stage and should break even this year. The group could make further acquisitions—a laser company for example—but the emphasis now is on internal growth. Vinten should make £5m pre-tax this year, putting the shares on a prospective p/e of about 15, assuming a 36 per cent tax charge.

Pearson Webb £15m SE listing

Pearson Webb Springbett, one of the largest UK independent reinsurance brokers, joins the Stock Exchange this week with a market capitalisation of £15.1m.

PWS handles both facultative and treaty reinsurance business. It defines the former type of business as when individual risks are offered to reinsurers, who are free to accept or reject them. Under treaty business, each risk in a specified category of business, written by an insurer is automatically ceded to reinsurers under continuous or annual contracts.

According to the group, when the one kind of business declines the other tends to improve. Their presence in both areas, therefore, should act as a cushion in difficult market conditions. It claims a particular expertise in the facultative business which accounts for around 75 per cent of total brokerage and commission income.

The group, which the chairman, Mr Malcolm Pearson, says has had a string of offers from "megabrokers" over the years, intends to remain independent "for the foreseeable future."

The three board directors, Mr Clifford Catt, Mr David Springbett and Mr Pearson, hold 60.3 per cent of the equity after the placing of 1.4m shares, equal to 20 per cent of the equity, by brokers Sheppards and Chase.

The remaining shares are considered widely enough held for the Stock Exchange to waiver its usual requirement that 25 per cent of the equity be offered to the public for a listing.

PWS, which is raising no new money, is seeking the listing "to enhance the reputation of the group, especially in London," according to Mr Pearson.

The quotation will create a market in the shares for existing shareholders and will also raise some £2.3m cash for the three directors. They have taken a cut in salary to £100,000 each, saying that remuneration in future will be linked to the performance of the company through dividend payments.

They had originally intended to come to the market through an offer for sale of shares, but due to the shaky market conditions has opted for a placing, successfully completed at 214p per share for the 1.4m shares giving a historic p/e of 10 and a yield of 8 per cent.

Dealings begin on Friday, July 20.

The group has a five-year record of steadily increasing pre-tax profits. It made £1.68m in 1983 and £1.96m in 1984. It incurred exceptional expenses in 1983 and 1984 of £593,000 and £849,000 mainly related to doubtful debts of £694,000 which they say should not recur and relate to business conducted before 1980 and £496,000 related to the closing of an underwriting subsidiary in New York.

Unit-linked boost for Sun Life

RECORD NEW life and pensions business in the first half of the year is reported by Sun Life Group, thanks to the continued strong growth of its unit-linked operations.

Total new annual premiums advanced by 18 per cent from £23.2m to £27.4m, while single premium were one-third higher at £119.2m against £89.8m.

The unit-linked subsidiary reported a 74 per cent jump in single premium business from £25m to £43.6m, putting the company up among the leaders for this business. The unit-linked mortgage plan *is now selling* well.

The other major growth field was individual pensions where single premiums, traditional and unit-linked, nearly doubled from £16.4m to £30.3m. The company's self-invested arrangements, such as the Suntrust Plan, for individual pensions are proving increasingly popular.

Mr Richard Zamboni, Sun Life's managing director, said that while the abolition of Life Assurance Premium Relief had affected the company, it had not caused any major difficulties. He was confident that the company would be able to adapt to sell investment products without LAPR.

Turnbull Scott maintains progress

The improvement seen by Turnbull Scott Holdings at halfway — the group turned losses of £1.72m into profits of £140,000 — continued into the second half. Profits for the full year to March 31 1984 were £274,000 against losses of £2.33m in the previous 12 months.

The final dividend is raised from 3p to 5p net for an increased total of 8p compared with 6p.

Turnover of this ship owner and engineer was down from £17.13m to £16.14m. Tax rose from £28,000 to £285,000 and there were minority debits this time of £1,000. Extraordinary debits accounted for £49,000 against a credit of £2.75m last time. Loss per £1 share before extraordinary items was 0.01p (237p).

Provision of £898,000 (£600,000) for tax arising from ships disposal is included in extraordinary items.

Hunterprint expands 20% to £0.92m

Pre-tax profits of Hunterprint Group, commercial colour printing concern based in Corby, Northants, moved ahead by 20 per cent to £919,000 for the six months ended April 1 1984, compared with a previous £767,000. Sales expanded by £7.15m to £17.47m.

The directors say they feel confident that the reorganisation and continued investment will put Hunterprint in a strong position to take advantage of any upturn in the market.

For the whole of the 1982-83 year profits amounted to £1.71m (£1.12m). The directors then said that the current year had got off to a good start with both turnover and profits showing an improvement. They were optimistic that their endeavours backed by a continuing programme of investment would result in further progress in 1984.

After six months' tax of £47,000 (£43,000) for this USM company, earnings were £872,000 (£724,000) or 19.54p per 25p share, compared with 8.75p. The interim dividend is stepped up from 1.2p to 1.325p net—last year's final payment was 2.3p.

One year after the new headquarter opened in Corby, the directors say that five presses are now in full production. A continued level of progress will shortly see the Corby factory making a more significant contribution to group profits.

The modernisation and reorganisation of the Eastleigh acquisition is well advanced and additional turnover from the second 32-page press in October next should see a movement into profitability in early 1985, they state.

Peterlee, with an extension also in progress, had a satisfactory installation of its second 48-page press in June, while the addition of another major new press in September will further consolidate its position, the directors add.

Hillards ahead to £6.8m: pays extra 20%

AN INCREASE of 16 per cent in pre-tax profits from £5.81m to £6.76m has been shown by Hillards for the year to April 28 1984. Turnover, boosted by the impact of new stores, grew from £204.28m to £233.4m, including VAT. Profit margins, before tax, improved from 2.84 per cent to 2.89 per cent.

The net final dividend has been lifted from 2.8p to 3.35p which raises the total by 20 per cent to 4.8p. Earnings per 10p share were shown as rising from 16.9p to 18.2p.

Mr Peter Hartley, chairman of this supermarket operator, says that results for the year to the end of April 1985 will show an improvement on the year just ended.

At the halfway stage pre-tax profits moved up from £2.61m to £3.26m and the directors said they expected that the full year would show a satisfactory increase in profit.

Commenting on the year under review Mr Hartley says that in June 1983 a new store of 21,000 sq ft was opened in Ilkley to replace a smaller store and in November a store of 31,500 sq ft was opened at Edenthorpe, near Doncaster.

	1983-84 £000	1982-83 £000
Turnover	233,404	204,259
Operating profit	7,465	5,925
Interest	373	115
Profit	7,092	5,811
Employees share	335	—
Profit before tax	6,757	5,811
Tax	2,307	1,695
Net profit	4,450	4,115
Dividends	1,178	977
Retained	3,272	3,139

A new store of 31,000 sq ft is under construction at Rotherham and will open next September. It is anticipated that building work will start on five new stores during the current year, including one at Scarborough where planning consent has been received for a store of 21,800 sq ft.

At the operating level profits rose from £5.93m to £7.47m from which net interest payable took £373,000 (£15,000). The employee profit sharing scheme took £335,000 this time, following its approval by shareholders last September.

Capital expenditure in 1984-85 is not possible to determine precisely, say the directors, because of the impact on total spending of the timing of site acquisitions and the commencement and phasing of building costs. It is anticipated that total expenditure will be in the range of £10m to £14m—in 1983-84 it totalled £8.9m. Net borrowings at year-end amounted to £4.33m.

Net assets were £21.6m (£18.3m) or 88p (75p) per share.

● comment

Hillards has lost the spring in its step. At the trading level, ahead of any employee profit sharing, the growth rate has halved from 30 to 15 per cent between the first and second six-month periods. There are two obvious reasons for the slowdown—the miners' strike and increased competition from the national chains. Hillards is at pains to play down the former factor but volume at its existing stores is quite plainly down, in which case increased competition must be to blame. That long term is far more worrying than miners' action. And this year an accelerated opening programme will take some edge off profits growth. Five new stores are planned against a norm of two or three and the capital spend is likely to be £3m to £4m ahead of cash flow, doubling borrowings to around £8m towards the end of the year. Sites such as the prime Rotherham development, bought for £2m, are of undoubted long term value and Hillards in the past has shown considerable skill at maximising its returns. But profits growth could be on the verge of slipping into single figures this year and the historic p/e of 11 at 204p, down 6p, may not have fully compensated for the sluggish outlook.

Ellis & Everard up 37% to £2.56m — U.S. acquisition

TOGETHER with a 37 per cent increase in taxable profits, the directors of Ellis & Everard, merchanting and chemical processing group, also announce a £5m acquisition in the U.S.

For the year ended April 30 1984 turnover expanded by 25 per cent to £56.1m (£45m) while the pre-tax figure advanced from £1.86m to a record £2.56m, after increasing to £1.16m (£919,000) at midway.

The dividend is effectively lifted to 8.5p (5.91p) per share with a final payment, as forecast, of 4p (3.64p adjusted). Also proposed is a one-for-two scrip issue.

Mr Simon Everard, chairman, says that all major profit centres—merchanting, fine chemicals, manufacturing and American Industrial Chemical Corporation (AICC)—produced record operating profits, with AICC's new branch in Chattanooga, Tennessee, moving into the black nine months after it started trading. He adds that the current year has begun encouragingly in all parts of the group.

The directors state that a conditional agreement has been signed for the acquisition of the Prillaman Group, a specialised coatings and finishes group based in Martinsville, Virginia, U.S. The consideration of $6.5m will be satisfied as to $1.75m (about $1.33m) by the issue of 743,140 new Ellis ordinary shares and the balance in cash.

Pre-tax profits of Prillaman amounted to $368,000 (£279,000) for the six months ended March 31 1984, and $718,000 (£544,000) for the previous 12 months. As at March 31 net assets amounted to £4.89m (£3.7m).

The directors say that Prillaman will take Ellis into Virginia, North Carolina and into parts of adjacent states and the territory covered represents a logical extension of the existing trading area. The product range, they add, has the benefit of some major overlap with that of AICC, as well as introducing Ellis to some newer and more specialised products.

Mr Everard says that the merchanting division remains "the backbone" of Ellis with sales up by 17 per cent to £36m (£30.7m). The product range has been broadened and an important number of performance chemicals added.

Sales on the manufacturing side increased 25 per cent to £1.68m, while the fine chemicals sector has continued its run of success. Sales for the year were £3.41m, compared with £2.95m (16 per cent).

Ellis's pre-tax figure was after interest payable, down from £268,000 to £151,000. Tax charge was £1.14m, compared with £562,000, minority interests took £54,000 (£35,000) and a reinstatement of full provision for deferred tax, £445,000 (nil) was met by a transfer from reserves.

Of the attributable balance of £1.36m (£1.27m) dividends will absorb £758,000 (£581,000).

On capital increased by the scrip and rights issues, earnings per 25p share were shown as unchanged at 12.4p.

● comment

For most British companies, the dollar's strength makes this the closed season for taking pot-shots in the U.S. Ellis and Everard is sidestepping that problem to some extent by paying for Prillaman partly with dollars borrowed against its U.S. assets. The 33 per cent premium over net assets which Prillaman has attracted is pricey by UK standards but looks more reasonable in the light of the fact that 22 per cent of the chemicals produced in the U.S. reach the end user via distributors, against a mere 5 per cent in Britain. Furthermore, Prillaman's product range and geographical position fit in neatly with the group's existing AICC subsidiary, while the directors see some scope for rationalisation gains. The acquisition will more than double Ellis and Everard's U.S. sales to around $55m—or 45 per cent of the group total—on present order patterns. Profit margins in U.S. chemical distribution are skimpy compared with the UK, but the group's U.S. presence gives it valuable flexibility in product sourcing and a foothold in a growing market to set against a restricted UK industry. About £3.5m pre-tax looks in reach this year, which puts the shares, up 2p to 180p, on a multiple of just over 11, assuming a 44 per cent tax charge.

Blundell revises forecast following midway setback

FIRST HALF profits of Blundell-Permoglaze Holdings, paintmaker and supplier to the building industry, fell by some £50,000 and Mr Robert White, the chairman, has revised his forecast on the full year outturn.

He tells shareholders that with little prospect of a recovery in Ireland or in industrial finishes in the coming months he now anticipates only a "slight" increase in the year-end result compared with 1983-84.

At the annual meeting in March Mr White was confident that the final result would show a "measure of improvement." He revealed then that many of the economic indicators were showing a favourable trend which should be reflected in the group's business in the second six months.

Group turnover for the opening half, to April 30 1984 improved by £1.2m to £17.18m but at the pre-tax level profits declined from £456,642 to £406,715.

To reduce disparity the net interim dividend is being stepped up from 1.6p to 2.3p per 25p share. The directors point out that a "reasonable division" between the interim and final payments would be on the basis of one-third of the total as the interim—the interim declared is approximately one-third of last year's 7p distribution.

The group's major division, building paints and products, continued to perform well over the first six months, particularly through its merchant connections, in a market which remains very competitive.

Contilack in Germany, acquired *in January 1983, is* included for the full six months for the first time and produced a satisfactory trading profit.

Exports continued at a high level and maintained their contribution to group profits.

Tax for the six months accounted for £130,000 (£165,000) and earnings per share emerged 0.1p higher at 4.3p.

Pre-tax profits for the 1983-84 year were little changed at £2.04m, compared with £2.02m. Turnover improved by some £6.4m to £35.38m.

COMPANY NEWS IN BRIEF

First-half profits to May 12 1984 slipped slightly at A. Kershaw and Sons, a holding company with interests in precision engineers. Pre-tax profits were £1.35m against £1.51m. Its ultimate holding company is the Rank Organisation.

The board has declared an unchanged interim dividend of 4p.

Investment income totalled £1.35m (£1.51m), including £1.2m (unchanged) from Rank Precision Industries.

* * *

Rank Precision Industries (Holdings), wholly owned by Rank Organisation, has reported that pre-tax profits for the same period improved to £23.7m against £22.6m last time.

Turnover improved marginally at £28.8m against £28m. The associate contribution from Rank Xerox companies rose to £17.8m.

* * *

RTD Group, a Dublin-based electroplater and generating set manufacturer, cut losses before tax from £234,000 to £15,000 in the year to February 29, 1984.

Turnover amounted to £5.96m, against £5.66m, on which an operating profit of £3,000 (loss £98,000) was achieved. The taxable result was struck after interest payable of £120,000 (£137,000) — there were exceptional charges and credits this time of £32,000 and £133,000 respectively.

The company now shows its figures in pounds Sterling.

Tax credits amounted to £4,000 (£38,000), leaving a net loss of £11,000 (£196,000). Extraordinary debits took £82,000 (£523,000). They relate to settlement of an Irish property guarantee problem and various costs in connection with last May's offer to shareholders.

The loss per share is shown as 2.14p (4.64p) and there is still no dividend — the last paid was in 1977.

The exceptional items relate to relocation of BMG engineers, and the sale of its freehold factory in Swindon. BMG Engineering (Swindon) has agreed to sell all its business and assets to Redman Engineering for £233,000, subject to shareholders' approval.

* * *

NET ASSET value at market value after prior charges moved up from 314.6p to 336.7p at St Andrew Trust for the six months to the end of June 1984. At the end of the past full year the figure came to 331.5p.

On a par basis the value was 333.6p (311.5p).

Available profits for the six months came to £384,457, against £378,821, after tax of £218,551 (£240,658), and preference payments of £12,127 (same).

An interim dividend of 2.6p net (same) has been recommended. Last year payments totalled 7p. Earnings per 25p share for the six months were shown as 3.36p (3.31p).

Gross investment income came to £725,956 compared with £717,280 including franked investment income of £405,837 (£398,986).

* * *

The second half at John J. Lees, manufacturers of confectionery, did not maintain the rate of improvement shown at midway, but the company was still able to report record taxable profits at £173,000 for the year to March 31, 1984.

The result compares with £147,000 last time.

The directors stated then that the total dividend would depend on the full year's result, and in the event they have maintained the final at 2p, giving a higher 2.9p total (2.8p). Earnings came out at 13.57p, up from 9.64p.

Turnover rose from £2.5m to £3.22m. After tax of £23,000 (£41,000) and minorities £14,000 (£9,000) there was an extraordinary debit £85,000 (nil) being a deferred tax provision.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Blundell-Permoglaze int‡	2.3	Oct 1	1.6	—	7
Ellis & Everard †	4	Sept 28	3.64*	6.5	5.91*
Hillards	3.35	Oct 5	2.8	4.8	4
Hunterprint int‡	1.33	Sept 7	1.2	—	3.5
Investors Capital int	1.5	Sept 3	1.5	—‖	3.45
Norbain‡	1	—	—	—	—
Tops Estates	0.35‡	Oct 2	—	0.35	—
Turnbull Scott	5	—	3	8	6
Vinten	1.89†	Oct 1	1.65	2.8†	2.45

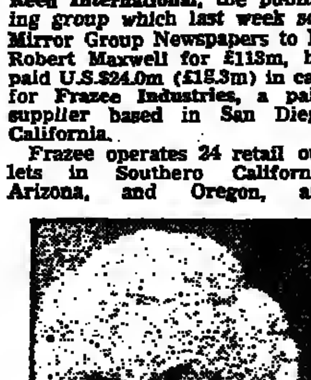
Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Increase to reduce disparity. ‖ Total not less than 3.6p forecast for 13 months to December 31, 1984.

BIDS AND DEALS

Reed Intl. pays $24m for U.S. paint group

Reed International, the publishing group which last week sold Mirror Group Newspapers to Mr Robert Maxwell for £113m, has paid U.S.$24.0m (£18.3m) in cash for Frazee Industries, a paint supplier based in San Diego, California.

Frazee operates 24 retail outlets in Southern California, Arizona, and Oregon, and



Sir Alex Jarratt, chairman of Reed International.

reported pre-tax profits of $2.9m on a turnover of $47.0m in 1983.

Reed recently acquired two other U.S. paint and DIY manufacturers, Parker Paint in the Pacific Northwest and Roman Adhesives in New Jersey. These contributed £1m to Reed's paint and DIY profits of £9.6m, on turnover of £183m, in the year ending April 1 1984.

Frazee Industries will continue to operate under existing management, as have Reed's other U.S. paint and DIY acquisitions.

Foundation wants higher offer for Leech stake

BY RAY MAUGHAN

THE board of William Leech Foundation wants a higher offer for its 29.7 per cent stake in William Leech, the Newcastle-based housebuilding company.

The Foundation met yesterday and, after taking advice from Morgan Grenfell, the merchant bank called in last week to guide the board on the contested £21.45m bid for the housebuilder from C. H. Beazer pany and J. Henry Shroder (Holdings), requested the com-Wagg, Leech's own advisers, "to seek a higher offer which would have the recommendation of the Leech board."

At the same time, Mr William Leech, the founder of the company which bears his name, confirmed that he would use his power of veto over the Foundation's shareholding when he said that he "would not be prepared to give written consent to the sale by the Foundation of its holding in Leech."

Schroder was seeking further clarification of the Foundation's objectives yesterday. It was not immediately clear whether the Foundation's board had turned Beazer's 145p per share cash bid down solely because the operating company directors have opposed the bid at this level or whether the Foundation was signalling acceptance in the hope that further negotiation might produce better terms.

County Bank, acting for Beazer, took some encouragement from the fact that the Foundation's statement had not expressly rejected the current terms out of hand.

None of the parties to this increasingly confused bid now have very much time to discuss an accommodation acceptable to all sides. Beazer's offer closes at the end of this week and the bid is final.

Only in the event that negotiation secures agreement of a higher offer would Beazer now be in a position to alter the terms. As it is, Leech's shares continue to trade at a substantial discount of 25p per share to the cash offer which may well be sufficient to draw out a significant level of acceptances from uncommitted shareholders.

Mr William Leech, founder of the housebuilding company who donated the 29.7 per cent stake to the Foundation on behalf of five named charities, is reported to have been opposed to Beazer's offer throughout, and the statement yesterday failed to make it clear whether he is now resolverd to oppose this offer specifically or any bid for the company whatsoever.

Bridgend Processes sees profit as costs are cut

Bridgend Processes, security equipment distributor which has made a £1.82m bid for H. Woodward, a North-west vehicle and parts distributor, said it expects to make a small pre-tax profit in the year ending December 31 1984. It made a loss of £76,000 in 1983.

Turnover is 36 per cent ahead of 1983 in the year so far and costs have been contained, Mr Neil List, Bridgend chairman, said in a letter to his shareholders.

The deficit on Bridgend's profit and loss account was reduced to £193,000 in 1983 from £7m the year before as a result of a capital reorganisation.

The merger with Woodward, which has not been taken into account in forecasting the return to profit, will eliminate the remaining deficit, Bridgend said.

The merger, which has already been irrevocably accepted by the holders of 49.3 per cent of the shares, will increase Bridgend's asset base from £700,000 to £3.9m and will allow further expansion into the distribution field.

Bridgend is offering 76 of its own shares for every 29 Woodward with a cash alternative of 76p per share.

Petbow probes new directions

The directors of Petbow Holdings state in the annual report that the continuing conflict in the Middle East and the political changes taking place in African territories are likely to have major impacts on the company's export sales in the short term.

While remaining a major and significant manufacturer of existing products it is intended to diversify into other businesses, making use of the space and facilities on the Sandwich site.

Negotiations are already in hand to acquire a number of smaller but profitable activities outside those in which the company has traditionally been engaged and which can be developed and expanded at Sandwich. During 1984-85 it is confidently expected that "some of these negotiations will be brought to a satisfactory conclusion."

Jourdan agrees £0.5m for Squires (Copper)

Thomas Jourdan, the industrial holding company which takes in a share of Mary Quant fashion royalties among a string of consumer interest, finally agreed the acquisition it has been negotiating for the past eight months when it arranged to pay £501,000 for Squires (Copper).

Founded by Mr Frank Squires in 1956, Squires (Copper) makes copper canopies, hearths and allied products for gas and electric fires. Over the past 12 years, Jourdan's own subsidiary, Suncrest Surrounds, has been Mr Squires' principal customer taking about half the output of his Kidsgrove, Staffordshire, private company.

Mr Archie McNair, chairman of Jourdan, said yesterday that the acquisition, which is subject to shareholders' approval, would secure a very competitive source of raw materials for Suncrest.

The payment will be made up of £387,000 in cash and the issue of 139,535 ordinary 10p Jourdan shares. That equates with net worth of £350,000

Squires produced profits, before tax and directors' pay, of £299,000 in the year ended July of last year and are warranted to be not less than £240,000 for the seven months in February 29 1984.

Albert Martin

Albert Martin (Holdings), the Nottingham-based textile group, has agreed to increase the group's stake in its overseas subsidiary, Martin Emprex (Far East), from 80 per cent to 95 per cent.

Albert Martin will acquire the 15 per cent interest from Mr S. C. Y. Ling, managing director of Martin Emprex in Hong Kong, for £522,000. Mr Ling will retain a 5 per cent

The purchase will be financed by the issue of 900,000 ordinary shares in Albert Martin at a price of 58p each, which will increase Mr Ling's interest in Albert Martin from 5.3 per cent to 14.4 per cent.

Greyhound buy-out

The management of Consultants and Designers (UK) has bought the company from The Greyhound Corporation of the U.S. for about £2m, supported by City institutions organised by Candover Investments.

The company provides on contract, electronic engineers and specialists, primarily to large UK and European countries active mainly in defence, electronics and telecommunications.

Its pre-tax profit for 1983 was £384,000 on a turnover of £4.5m.

The sale was part of Greyhound's programme of divestment, aimed at concentrating its operations on certain mainstream activities.

* * *

Pritchard Services Group, the London-based international cleaning-to-security group, has bought Tight Grip Security, the manned security specialist, for about £200,000.

Brent Chemicals in £1.3m U.S. sale

By Jeanne Reid

Brent Chemicals International, a specialised industrial chemicals manufacturer, has agreed to sell the metal finishing operations of its U.S. subsidiary, Brent Chemicals Corporation, to MacDermid Corporation, speciality chemical company based in Waterbury, Connecticut, for $1.73m (£1.32m).

Under the agreement, $1.6m is payable on completion, which is expected by the end of the month, with two payments of $62,500 to be made on the first and second anniversaries of the deal.

BCI recently sold its laundry and food divisions in the U.S. which, combined with this sale, will realise $8.98m (£6.8m) for the company, and after allowing for all costs will produce an extraordinary gain of approximately £2m.

BCI also expects to announce the sale of its U.S. brewing suppliers, Schwartz Services International, in mid-August. U.S. sales will consequently fall from about $25m to $4m, since it will be left only with a Los Angeles-based aerospace industry supplier.

The metal finishing operations in the U.S. lost money in 1982 but were back in the black in 1983 with pre-tax profits of $75,000 on sales of $3.3m. Yet Mr Bill Cross, chairman of BIC, explained yesterday: "It would have taken us too long to get it to meet our standards of profitability and we felt the funds would be better used where the growth markets are much stronger."

The company is considering acquisitions in the U.S. aerospace, specialised metal treatment, and food packaging industries.

* * *

Alexander Russell has announced that it has completed the acquisition of Springbank Sand & Gravel. The consideration of £2.53m has been satisfied with £1.67m in cash, £327,837 of new Russel 9½ per cent unsecured loan notes, and 743,632 Russell shares.

Allianz rules out counter bid

Dr Wolfgang Schieren, chief executive of Allianz Versicherung, West Germany's largest insurance group, stated that his company was not considering taking an interest in Sun Alliance and he reaffirmed that it had never been interested in Phoenix Assurance. He emphasised that any rumours to this effect were totally unfounded.

So it can now be safely inferred from this statement that Allianz is not going to make a counter bid for Phoenix, neither is it going to attempt to gain bid battle for Phoenix.

Allianz may still be committed in principle to establishing a major presence in the UK insurance market. But the loss of its finance director Mr Marcus Bierich, who has gone to head the Bosch Group, could set back any practcial move by Allianz.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hill Samuel	§12 %
Allied Irish Bank	12 %	C. Hoare & Co.	†12 %
Amro Bank	12 %	Hongkong & Shanghai	12 %
Henry Ansbacher	12 %	Kingsnorth Trust Ltd.	10 %
Armco Trust Limited	12 %	Knowsley & Co. Ltd.	12½%
Associates Cap. Corp.	10 %	Lloyds Bank	12 %
Banco de Bilbao	12 %	Mallinhall Limited	12 %
Bank Hapoalim BM	12 %	Edward Manson & Co.	13 %
BCCI	12 %	Meghraj and Sons Ltd.	12 %
Bank of Ireland	12 %	Midland Bank	12 %
Bank of Cyprus	12 %	■ Morgan Grenfell	12 %
Bank of India	12 %	National Bk. of Kuwait	12 %
Bank of Scotland	12 %	National Girobank	12 %
Banque Belge Ltd.	12 %	National Westminster	12 %
Barclays Bank	12 %	Norwich Gen Tst.	12 %
Beneficial Trust Ltd.	13 %	People's Tst. & Sv. Ltd	13 %
Bremar Holdings Ltd.	10 %	R. Raphael & Sons	12 %
Brit. Bank of Mid. East	12 %	P. S. Refson & Co.	12 %
■ Brown Shipley	12 %	Roxburghe Guarantee	12½%
CL Bank Nederland	12 %	Royal Trust Co. Canada	12 %
Canada Permn't Trust	12 %	■ J Henry SchroderWagg	12 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	TCB	12 %
Choulartons	12½%	Trustee Savings Bank	12 %
Citibank NA	12 %	United Bank of Kuwait	12 %
Citibank Savings	¶ 9¾%	United Mizrahi Bank	12 %
Clydesdale Bank	12 %	Volkskas Limited	12 %
C. E. Coates & Co. Ltd.	12½%	Westpac Banking Corp.	12 %
Comm. Bk. N. East	12 %	Whiteway Laidlaw	12½%
Consolidated Credits	12 %	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Dunbar & Co. Ltd.	12 %		
Duncan Lawrie	12 %		
E. T. Trust	12½%		
Exeter Trust Ltd.	12½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10 %		
■ Robert Fleming & Co.	12 %		
Robert Fraser	12½%		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		

■ Member of the Accepting Houses Committee.
* 7-day deposits 8.75%. 1-month 9.50%. Fixed rate 12 months £2,500 10.75% £10,000. 12 months 11%.
† 7 day deposits on sums of under £10,000 8¾%. £10,000 up to £50,000 9¼%. £50,000 and over 10%.
‡ Call deposits £1,000 and over 8¾%.
‖ 21-day deposits over £1,000 9¾%.
§ Demand deposits 8¾%.
¶ Mortgage base rate.

COMPANY NEWS IN BRIEF

Net asset value per 5p share in Trust of Property Shares rose from 22p to 27.2p in the six months to June 30 1984, having stood at 19.9p at the end of the comparable period of the previous year.

Total revenue of this investment trust moved ahead from £15,158 to £20,012 after interest charges of £133.

After expenses of £3,830 (£3,806) and tax of £5,354 (£3,406) there was £10,828 (£7,946) available for distribution.

Earnings per share are stated as 0.13p (0.132p). No interim dividend has been declared.

* * *

Net assets per 10p share at Teps Estates were shown as rising from 11.34p to 14.12p excluding an investment option and the Shinetip merger last April.

Including the option to acquire a 75 per cent interest in an unlisted property investment company, and the merger, the figure was shown as 70.19p.

A single dividend of 0.35p has been recommended on this USM stock which made no payment last year. After tax of £3,980 (credit £7,170) and extraordinary costs of the USM application of £17,743 last time, attributable profits emerged at £37,802 against previous losses of £8,288.

* * *

In announcing a pre-tax profit of £663,529 for the year to end-April 1984, the directors of Norbain Electronics have beaten by some £64,000 the forecast made at the time of the company's admission to the USM last February.

The result compares with a £111,000 profit last time, and was achieved on turnover which rose by 68 per cent from £5.42m to £9.1m.

Mr John Nichel, the chairman of this distributor of electronic components, industrial closed circuit video equipment and microcomputers, regards the result as "highly satisfying" and views them as a "springboard for renewed and increased activity."

The current financial year has started encouragingly, he says, with performance of the group in excess of budget for the first two months.

The dividend for the year is 1p, again as forecast.

The tax charge was increased from £19,000 to £213,000, and minorities took £19,000 (£13,000). Earnings per share are shown as 6.98p (1.3p) before an extraordinary debit of £22,500 (£4,000).

* * *

Pre-tax revenue at Murray Northern Investment Trust improved from £972,000 to £1.19m in the year to May 31, 1984. The final dividend is raised from 1.4p to 1.6p net for an increased total of 2.2p against 2p. The board has also announced an interim dividend up from 0.6p to 0.7p in respect of the current year to May 31, 1985.

Holders of "B" ordinary shares will receive a capitalisation in "B" ordinary, equivalent in net asset value to the recommended final dividend and interim dividend on account for the current year, excluding tax credits.

Revenue for the year improved from £2.13m to £2.59m. Interest payable was higher at £1.23m against £1.03m, and administration expenses were up from £127,00 to £163,000. There was a tax charge of £523,000 compared with £431,000. Earnings per 25p share were 2.36p (1.88p) and 2.33p (1.86p) assuming full conversion of the "B" ordinary.

Net asset value per ordinary and "B" ordinary was 171.4p (141.7p) at the year-end.

* * *

Net asset value per 25p share of Investors Capital Trust declined by 6.9p (or 3 per cent) over the six months ended May 31 1984 to 224.4p. Profits for the opening half-year to end-May edged ahead from £1.16m to £1.22m after tax of £770,000, against £938,000.

The net interim dividend is held at 1.5p. The company is changing its year-end to December 31 and intends to recommend a total distribution of not less than 3.6p for the 13 months (3.45p for year). Earnings for the six months were shown as totalling 1.92p (1.82p).

The company had the benefit of interest income from a high level of liquidity in the first four months but liquidity has now been reduced by purchases in Europe and the Far East and earnings in the second half are expected to be lower than those of the first half.

* * *

Net asset value per 25p share of Tribune Investment Trust increased to 117.4p for the six months to June 30, 1984, compared with 106.5p a year earlier.

After tax of £446,999 (£423,809) earnings came through at £727,691 (£604,640), equal to 1.42p (1.18p) per share.

* * *

Net asset value of the Yeoman Investment Trust increased to 267.5p as at June 30 1984. This is compared with 259.3p at the end of December last and 249.2p six months earlier.

The net interim dividend is lifted from 2.5p to 3p per 25p share as forecast — last year's final payment was 5.2p which the directors also expect to maintain.

After tax of £197,390 (£200,435) earnings were £472,234 (£416,837).

MINING NEWS

Rand Mines gold profits hit by rising costs

BY GEORGE MILLING-STANLEY

OVERALL NET profits of the four gold mines in South Africa's Rand Mines group fell by 4.5 per cent to R41.4m (£31.3m) in the three months to June 30.

The group said yesterday that higher working costs following wage increases awarded to white staff were largely responsible for the decline. White labour costs account for between 20 and 30 per cent of the mines' total costs, the group added.

Further increases in costs are in prospect for the current quarter, with the award of sizeable wage increases to the black workforce.

The fall in the gold price in U.S. dollar terms was more than offset by the further weakening in the rand/dollar exchange rate, with the result that the mines actually earned more in the all-important local currency for their production than in the March quarter.

Pre-tax profits of the four mines fell by around a quarter between the two periods, but the impact of this fall on net profits was reduced by sharply lower tax charges consequent on the mines' increased capital expenditure.

The rise in allowable capital spending virtually halved the amount absorbed by way of tax and state's share of profits under the various mining lease formulae.

Two of the mines, Durban Roodepoort Deep and East Rand Proprietary Mines (ERPM), are still receiving state assistance to compensate for working losses on gold production, and both received a higher level of support in the latest period than in the previous three months.

Durban Deep received R3.06m, up from R2.44m, after working losses of R2.79m against R1.36m last time, while ERPM has claimed assistance of R6.51m, compared with R5.56m, following losses of R6.86m, up from R5.41m.

Both of these marginal mines are continuing to protect themselves to some extent against further falls in the gold price by forward sales of a portion of their outputs, and both have achieved prices for their forward sales which are significantly in excess of the current market level.

	Jun qtr R000	Mar qtr R000	Dec qtr R000
Blyvooruitzicht	13,847	†15,147	16,056
Durban Deep	*1,023	*1,760	*3,881
East Rand Pty	*1,243	*1,719	*4,995
Harmony	25,263	†24,694	25,752

*After receipt of State assistance.
† Includes additional tax charge following changes in March budget.

Declining gold grades at both mines led to lower net profits, even after the increased level of state assistance. Durban Deep made R1.02m, down from R1.76m in the March quarter, while ERPM had net profits of R1.24m against R1.72m previously.

The latest net profits of all the mines are compared in the accompanying table.

The two profitable mines in the group, Harmony and Blyvooruitzicht, also sold some of their production forward, although in both cases only a small proportion of the total was involved.

Harmony managed an increase in net profits from R24.69m to R25.26m, helped by lower costs as a result of the increased mill throughput, and a halving in the tax charge in line with the rise in capital spending from R10.6m to R13.22m.

The increase in profits was achieved in spite of a fall in revenue from the by-products uranium, pyrite and sulphuric acid to R7.06m from R15.05m.

Blyvoor's net profits fell to R13.85m from R15.15m last time, as lower mill throughput combined with a fall in the gold grade to reduce production and raise operating costs. Uranium operations suffered here, too, with a loss of R88,000 compared with profits of R7.56m.

BOARD MEETINGS

TODAY

Interims: British Kidney Patient Association Investment Trust, Child Health Resources Investment Trust, Greenwich Cable Communications, Pratt Engineering Vantage Securities.

Finals: D. F. Bevan, British Building and Engineering Appliances, First Leisure Corporation, MFI Furniture, Milbury, Siebe Gorman, Symonds Engineering, Warehouse, Wight Collins Rutherford Scott.

FUTURE DATES

Interims—	
Aeroneon Brothers	Aug 2
Clarke (T.)	Aug 16
Commercial Union Assurance	Aug 7
Crescent Japan Invest. Trust	July 26
New Tokyo Investment Trust	July 26
Refuge Assurance	Aug 29
River and Mercantile Trust	July 19
Finals—	
AAH	July 24
Atlantic Assets Trust	July 20
Barlolords	July 18
Cowan, de Groot	July 20
Independent Investment	July 18
Wallman	July 18

MINING NEWS IN BRIEF

CANADA'S Barrick Resources has completed the amalgamation of Barrick, Camflo Mines and Bob-Clare Investments under the continuing name of Barrick Resources. The combined group holds interests in two producing gold mines and several development properties in Canada and the U.S., along with oil and gas exploration and production interests.

Shareholders in Barrick will receive one share in the amalgamated group for each share currently held, while Camflo shareholders receive seven shares in the new group for each Camflo share.

Barrick has also completed a C$30m (£17m) private placement.

Former Barrick shareholders will own 75.4 per cent of the new company, with Camflo holders owning 23.6 per cent and Bob-Clare holders 1 per cent.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Premises

Looking for a break

Tim Dickson on how two companies sought to change the minds of their local councils

EXPERTS SOMETIMES tell you that the biggest struggle for a new business is its first three years after start-up. But Mike Moore and Barry Buckle are not so sure.

Since setting up a packaging company that bears their names in small council premises in mid-1981, the former Metal Box executives appear to have gone from strength to strength. Orders have poured in to their St Helens, Merseyside, headquarters, five extra full-time employees and one part-time employee have been hired, and sales for the year just ended worked out at £300,000 (with £0.5m expected for the current 12 months). Customers responded to the company's flexibility, speed of response, and (above all) willingness to do the sort of "short runs" which larger packagers find uneconomic.

In view of this achievement and the company's successful negotiation of most of the early hurdles, it is ironic that progress recently has been seriously hampered by a problem with the lease on its premises. Anxious to expand into new and larger premises elsewhere in St Helen's, Moore and Buckle has been told by the council that the company can only break its existing agreement (which runs to mid-1987) by paying a lump sum of £15,000 to make up for the "lost" rent.

The company has plans to take on eight extra people following its proposed move to the new factory—a projection which neither the council nor the nearby Community of St Helen's Trust (a small business advisory centre) would dispute. So Moore is not surprisingly angry. "I've offered them £8,000 so far but £15,000 is a lot of money. It's the cost of a new machine to us. Surely they should be grateful that we are doing well and give us some help rather than putting money into speculative buildings which may or may not create new jobs?"

Moore is also upset because he claims that when he eventually signed his two 20-year leases (with six yearly "break" clauses) in August 1982 he was given a verbal undertaking that there would be no problem moving if the business outgrew the present site.

Although sympathetic to the company's plight, St. Helen's Metropolitan Borough Council is unrepentant and pins the blame fairly and squarely on central Government policies. Explains Graham White, the council's industrial development officer: "Mike Moore came to me last year and wanted us to release his company from its obligations under the lease. We feel that with the six year 'break' clauses it is fairly flexible and we had said that if he wanted to move to alternative council accommodation there would be not difficulty breaking it earlier than that.

"We have offered him a number of other premises owned by the local authority but since the only building that suits his purpose is in the private sector we will end up showing a financial loss."

White says that St Helen's has no choice but to impose a penalty in view of the Government's policy to penalise "overspending" councils. "Moore and Buckle have been paying us £6,540 a year and as far as our Treasurer is concerned the company is due to pay that for the next three years, at least until the break clause could be exercised.

"The point is that the money has already been committed to expenditure in our budget and if we don't get it from the company the only alternative is the rates. We are not yet on the Government's 'hit list' but under the rules we could end up having the rent knocked off our rate support grant."

Adds White: "We could help him without penalty if he took another council property or if he bought some of our land to build his own bespoke factory."

David Bolt, Director of the Community of St Helen's Trust, which has helped advise Moore and Buckle in the past, says that while he "understands" both points of view" he hopes that efforts can be made to help the company. He points out that new businesses need flexible lease agreements and reports that the local units built by Pilkington Brothers, the big glassmaking group, and let as monthly tenancies have been extremely popular and successful. "We find that small businesses are often too easily hooked by the lure of rent free periods.

On the other hand, he believes, landlords can be unreasonable. Another of his clients in St Helen's recently gave notice thre days late that he wanted to exercise a three year break clause. But the landlord refused to relent.

Mike Arron

Barry Buckle (left) and Mike Moore: finding it expensive to terminate their lease

Persistence pays off for Sarum Farms

IF IT'S any comfort to Mike Moore and Barry Buckle (see other article) persistence can certainly pay if you're fighting a local authority.

That at any rate is the encouraging lesson to be drawn from Sarum Farms, a small Winchester-based company first featured on this page more than two years ago (March 2, 1982).

Readers may recall that Michael and Leila Dodson—Sarum's husband and wife owner managers—were fighting at the time to continue assembling and storing their range of timber mats and temporary roadways at a rural five-acre site on the western edge of the famous Hampshire town. In spite of a Department of the Environment Circular 22/80 in 1980 urging councils to take a lenient attitude towards small businesses like Sarum Farms which had set up in contravention of existing regulations, Winchester City Council had repeatedly turned down their application for planning permission.

After a seven year campaign, Sarum eventually won the crucial battle in March 1983 when the Secretary of State overruled the council on appeal.

Although Sarum's neighbours may not necessarily agree—the long running dispute hinged primarily on the number of Sarum's heavy lorries using the nearby lanes—at least the 18 people who work for Sarum will be grateful for its survival. Indeed, Dodson has recently preserved a further 28 jobs by taking over a Devon manufacturer of laminated wooden beams which was in receivership at the time.

Sales of the newly enlarged group are running at an annualised £1½-£2m thanks to recent orders, which include supplying beach landing roads to, respectively, Fairclough Construction and a Laing/Mowlem/Amey Roadstone consortium for use in Ascension Island and the Falklands, as well as helicopter landing pads for British Airways and Bristol Helicopters. In view of the current pressure for a more small firms-orientated public sector purchasing policy, it is interesting to note that in spite of repeated efforts Sarum has made no headway in getting orders from the Ministry of Defence.

Dodson's most satisfying sale, however, was a timber bridge for a client much closer to home. None other, in fact, than Winchester City Council.

The source of new jobs

WHERE DO jobs "come from" and "go to" in a modern economy? The answer to this question has assumed increasing importance in the UK since the present Government introduced its well publicised measures to encourage small firms.

Hitherto, academics and policymakers have relied on several recent studies which are far from conclusive. The most famous is the research carried out by Professor David Birch in the U.S. which found that over the period 1969-76 two thirds of net new jobs (births plus expansions minus closures plus deaths) came from firms with less than 20 employees.

A UK survey in 1979 based on 10,000 manufacturing establishments in the East Midlands region between 1968 and 1975, however, concluded that while small and new firms were important they had not been the overwhelming source of new jobs in the UK. Separate evidence from Cleveland between 1965 and 1976 showed that only those companies with less than 50 employees showed on average any growth, while a further report carried out by the Economics Division of the Department of Industry found that businesses in the smallest size band (11 to 20 employees) made only a negligigible contribution to employment creation.

In view of these apparent contradictions news of a new study* by Professor Colin Gallagher of Newcastle University based on the computerised data file of a large commercial credit rating and market research organisation between 1971 and 1981 is to be welcomed.

The main limitation in the study is that the employment data was provided by each company in a broad band rather than as a specific number and "greatly reduces the confidence with which changes in aggregate employment can be inferred." Nevertheless the sample covers around 75 per cent of private sector employment, covers service as well as manufacturing industry, and has been enthusiastically noted by the Government which published an edited version last week in the Department of Trade and Industry's house magazine. (British Business July 13 1984.)

The study shows that firms with under 20 employees provided 31 per cent of all new employment, although representing only 13 per cent of total employment at the beginning of the decade. Firms employing 20 to 99 people did well, also generating more new jobs than they represented of total employment. Firms in the 100 to 999 range did slightly worse than might have been expected while those with more than 1,000 employees performed very badly.

Perhaps the greatest interest will be reserved for work currently being carried out at Newcastle covering the 1981-84 period—years of even greater structural change.

* *Jobs and the Business Life-cycle in the UK. By C. C. Gallagher and H. Stewart. Available from Department of Industrial Management, Newcastle University, Newcastle upon Tyne NE1 7RU.* Price £2.

T.D.

In brief . . .

HOW SMALL is a small firm? An American academic recently devoted several hundred pages to discussing this question, but a slightly briefer contribution (two pages) written by Pom Ganguly, the statistician in the Department of Trade and Industry's Small Firms Division, can be found in the June 22 issue of the DTI's house magazine British Business.

Ganguly says that there are no easy answers. He emphasises that while the 1971 Bolton Committee Report cut-off level of 200 employees for the manufacturing sector as a whole "remains probably the most suitable one for the UK," the DTI has decided not to go for a single definition. Instead, it will "adopt a flexible attitude which . . . . allows each case to be looked at on its merits."

●

CHADWYCK-HEALEY Microform Publishing, a company which undertakes microfiling for the publishing industry from a converted granary near Royston, in Cambridgeshire, has won the 1984 Rural Employment Award.

The company has a payroll of 35, all recruited locally. Given jointly by the Country Landowners' Association (CLA) and the Council for Small Industries in Rural Areas (CoSIRA), the competition is designed to encourage landowners and others to create sustained non-agricultural employment in rural areas.

Run on a regional basis, entries this year came from eight counties in CoSIRA's Eastern region with other prizewinners including a former dairy farm which now houses a country fashions business, a former dairy converted into a workshop producing pet accessories, a former barn now housing a specialist supplier of accessories for musical instruments, and a former chapel converted to house cabinet makers and pictures restorers.

"It is essential that we provide those who live in the country with alternatives to agriculture if we are to continue to have a healthy rural community and the proper level of public services that it needs," Peter Giffard, president of the CLA said at the presentation ceremony.

●

THERE IS no shortage of forthcoming dates for the peripatetic conference delegate. An ambitious survey of the problems faced by entrepreneurs in 11 countries—West Germany, Brazil, Cameroon, Canada, Colombia, Great Britain, Indonesia, Japan, Kenya, Netherlands and the U.S.—will be presented at the 11th International Small Business Congress, to be held in Amsterdam from October 24 to 26. The congress theme will be "Start and Renewal" and further information can be obtained from Organisatie-bureau Amsterdam BV, Europaplein 22, 1072 GZ Amsterdam.

The seventh United Kingdom National Small Firms Policy and Research conference, meanwhile, will be hed at Trent Polytechnic, Nottingham, from September 5 to 7 and further details can be obtained from Judy Barson, Small Business Centre, Trent Polytechnic Business School, Burton Street, Nottingham NG1 4BU. Tel.: 0602-418248, Ext 2488.

The 14th European Small Business Seminar in Lisbon, Portugal, on September 27 to 29 will take as its theme "Comparative policies and measures for the promotion of small and medium-sized industries." Details from 14th ESBS Lisboa, Mr Antonio Lopes Paulo, Iapmei, Rua Rodrigo da Fonseca 73, 1297 Lisboa.

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SOCONY MOBIL OIL CO INC AND OTHERS v WEST OF ENGLAND SHIPOWNERS MUTUAL INSURANCE ASSOCIATION (LONDON) LTD

Queen's Bench Division (Commercial Court): Mr Justice Leggatt: May 22 1984

WHERE A company is wound up so that its rights against its insurer are statutorily transferred tn a person tn whom it nwes damages, the insurer will be protected from legal proceedings brnught against it by that person in respect of the damages, if the insurance contract provided that the parties shonld not litigate withont first going to arbitration, and they failed to do so.

★

Mr Justice Leggatt so held when giving judgment for the defendant, the West of England Shipowners' Mutual Insurance Association, (London) Ltd ("the club") in a claim by cargo owners, Socony Mobil Oil Co Inc, Mobil Oil Co Ltd and Mobil Oil AG. for damage to their cargo carried on the Padre Island, a ship owned by a company insured with the club.

Section 1 (1) of the Third Parties (Rights Against Insurers) Act 1930 provides: "Where . . . a person . . . is insured against liabilities to thrd parties . . . then . . . (h) in the case of the insured being a company, in the event of a winding up order being made . . . if . . . any . . . liability . . . is incurred by the insured, his rights against the insurer . . . shall . . . be transferred to and vest in the third party. . . ."

★ ★ ★

HIS LORDSHIP said that in April 1975 the cargo owners were awarded $238,315 by a U.S. judgment against the insured company, in respect of damage to cargo carried on its vessel.

The company was entered with the club for P & I [protection and indemnity] risks. In April 1982 it was wound up. The damages awarded in the U.S. proceedings had not been paid. The cargo owners therefore claimed against the club.

In its defence the club relied on the arbitration clause in rule 25 of ts Rules as a bar to the action. Rule 25 contained a *Scott n Avery* provision that "no member shall be entitled tn maintain any action . . . unless and until the difference or dispute shall have been referred to arbitration."

The club's case was that the *Scott v Avery* clause rendered the obtaining of an arbitration award a condition precedent tn recovery. Mr Rokison, for the club, submitted that the Third Parties (Rights Against Insurers) Act 1930 put a third party into the shoes of the nsured as against the insurer, with the result that it acquired rights subject to the same nbligation and limitations as would have applied to the insured.

He cited *Post Office v Norwich Union [1967] 2QB 363*. There Lord Denning MR said: "The injured person steps into the shoes of the wrongdoer. At page 376 Lord Justice Harman said: "You cannnt assign to somebody part of the rights under the contract without assigning to him the condition subject to which those rights exist. . . . You cannot pick out one bit—pick out the plums and leave the duff behind."

Mr Rokison emphasised that in no case had a third party been entitled to bring an action in circumstances where the insured could not have done so.

Mr Rix, for the cargo owners, argued that rule 25, on its true *construction, did not apply to* third parties, but only to "members" and their disputed claims. He said that the claim of a third party under the Act was not the same as the insured's claim because the third party's cause of action was not complete until vesting occurred on winding up and because time ran only from the vesting.

Under the Act third parties enjoyed the rights of a member. They were treated as though they were members. When the Act applied a dispute became e dispute between a third party and an insurer. The rights enjoyed by the third party and the insured respectively were essentially the same.

The Act transferred the insured company's contractual rights, not the claim, to the cargo nwners. Those contractual rights were subject to the arbitration clause, including its *Scott n Avery* provision.

There question therefore was whether there was anything in the contract between the original parties or in the Act, which prevented the arbitration clause or the *Scott v Avery* provision from applying to the claim against the club.

In *Post Office v Norwich Union* ther was reference to the third party stepping into the shoes of the insured, and to the third party not being entitled to have the plums without the duff. Those references conveniently denoted two points of principle.

First there could be transferred to the third party no more than the rights formerly vested in the insured. Secondly, the rights which were transferred to the third party were subject to the same incidents as when vested in the insured.

If the company had not been wound up, the arbitration clause would have been applicable and the *Scott v Avery* provision would have precluded recourse to action before reference tn arbitration. The effect of transferring the company's contractual rights to the cargo owners was therefore determined by the Act and not by agreement.

The arbitration clause must be read, for present purposes, as though references to the cargo owners were substituted for references to the "members." Although the clause contemplated a disputed claim made by a member, such a claim, nnce it had arisen, vested in the cargn owners following the winding up. Unless, therefore, the cargo owners could succeed in their alternative arguments, the club was entitled to invoke the *Scott v Avery* provision as a defence.

Mr Rix argued that the court had power to prevent the operation of the *Scott n Avery* clause under section 25(4) of the Arbitration Act 1950, and that it ought to exercise that power. The section provided that the court, "if it orders . . . that the agreement shall cease to heve effect as regards any particular dispute, may further order that the provision of making an award a condition precedent to the bringing of an action shall also cease to have effect as regards that dispute."

Mr Rokison rightly contended that, as a matter of construction, the court had no such discretion, having regard to the words "if it orders that the agreement shall cease to have effect."

Even if the court had such power, which it did not, there wus no reason why it should exercise it so as to exclnde the operation of the *Scott v Avery* provision. Nn reason had been shown why effect should not be given to it.

Judgment for the club.

For the cargo owners: Bernard Rix QC and Richard Wood (Allen & Overy).

For the club: Kenneth Rokison QC and Richard Jacobs (Holman Fenwick & Willan).

By Rachel Davies
Barrister

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FINANCIAL TIMES

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Tuesday July 17 1984

Denmark returns to Euromarket for $100m more, Page 38

WALL STREET

Fed review makes for restraint

THE GATHERING in Washington yesterday of the Federal Reserve Open Market Committee (FOMC) to conduct its regular review of the board's credit policies left Wall Street holding its breath, *writes Terry Byland in New York.*

Analysts held divided opinions, with most finally arguing that the Fed might leave policies unchanged – but give itself the option, by lifting its monitoring range for the federal funds rate, to tighten later in the year if inflation gathers pace.

The balance of opinion tilted at mid-morning when Dr Henry Kaufman, chief economist at Salomon Bros, warned clients not to be overimpressed by signs of slowing economic growth. "Higher inflation and interest rates still lie ahead," he said in his quarterly investment strategy report.

Meanwhile, worries over inflation prospects were rekindled by the announcement that growth in U.S. consumer credit, at peak rates in May, now stands at an annualised 30 per cent. There was little reaction, however, to the latest data on business inventories.

Selling in the stock merket died away towards the close, and there was a technical rally in the blue chips. The Dow Jones industrial average, after falling by more than 6 points by 2.00pm, closed a net 6.96 higher at 1,116.83. The broader market, however, made little recovery. Trading was moderate, with 74.1m shares turned over.

Both credit and stock markets weakened after Dr Kaufman's words of warning. Also discouraging both market sectors was a fresh rise in the federal funds rate.

The Fed helped with the announcement of overnight system repurchases when the funds reached 11 7/16 per cent, but the rate remained obstinately high, and money market rates edged up by three to five basis points. The bond market was half a point off at midday.

The stock market opened higher but support was very thin, and prices were soon dragged down by the weakness of the credit market. Institutional interest, as measured by the total of large blocks traded, was down by about a half. But there were indications of a selling programme which clipped prices for many leading stocks.

Among those under selling pressure was ITT, with a fresh dip of $⅝ bringing it down to $22, close to the range of bid prospects, according to some analysts.

Special situations provided a number of active features. St Regis, still unsure of the motives of Mr Rupert Murdoch, dipped $1¼ to $40½. Further consideration of recent trading figures took $⅛ off United Telecom, at $18¼.

There was a renewed spate of selling of Warner Communications, which fell $1⅛ to $17½ after suggestions in the investment press that a dividend cut was a distinct possibility – as well as the exit of Mr Steven Ross, chairman and chief executive officer, who has been the driving force behind the company's strategies.

To the fore on the active list was Unocol, the former Union Oil of California, which has resumed the mantle of the market's favourite takeover hope. At $36¾, Unocol gained $1⅛ on market belief – unsubstantiated by either company – that Standard Oil of Indiana may offer as much as $52 a share for Unocol, which has substantial reserves of oil and natural gas.

Turnover in the credit sector was also subdued but rates began to edge higher as the session progressed. Three-month Treasury bill rates put on 9 basis points to 10.02 per cent, and six-month rates 10 basis points to 10.52 per cent.

Some early support for the longer end of the bond market soon faded. The key long bond of 2014, at 100 11/32, was 5/32 off. This sector still has to dispose of the latest tranche of 20-year bonds, which were left with the dealers after the recent auction by the Treasury.

LONDON

Downward drift arrested

SIGNS of resistance to the recent downward trend were seen in London equity markets yesterday, the first day of a new trading account.

After an easier start, shares rallied as it became known that dockers and port employers had accepted an invitation to meet arbitrators in an effort to resolve their dispute.

The FT Industrial Ordinary index, which was down 4.7 at the first calculation, ended the day 4.3 higher at 775.0 with the market drawing further strength from the relatively quiet but steady performance of sterling.

Consumer shares which were under pressure last week took a modest turn for the better.

Elsewhere, British Aerospace dipped 17p to 310p as it announced that it had decided not to continue merger talks with GEC, which added 2p to 182p.

Government stocks drew encouragement from last week's sustained upturn in U.S. bonds and from sterling's more settled performance.

Long-dated stocks closed around ⅛ below their best but still recorded gains of up to ½ on the day, while shorts were also marginally ahead.

Chief price changes, Page 30; Details, Page 31; Share information service, Pages 32-33.

AUSTRALIA

IMPROVED world bullion prices underpinned a rally in Sydney where the All Ordinaries index added 7.9 to 876.90.

Gains were also seen among base metal miners as a result of higher copper and silver prices. BHP led the rally with a 20-cent gain to A$9.56, while CSR added 6 cents to A$3.16.

Elsewhere among miners, GMK and Poseidon each rose 20 cents to A$7.00 and A$3.30 respectively, Bougainville 6 cents to A$1.73, and Western Mining 2 cents to A$3.02.

In the energy sector, interest centred on Oil Company of Australia (OCA), a small exploration company, as Boral launched an offer for the shares it does not already own.

OCA partly paid shares rose 26 cents to the offer price of 90 cents, while the options gained 26 cents to the offer price of 55 cents. Boral was unchanged at A$3.40.

SINGAPORE

SOME late profit-taking pared earlier gains in Singapore and the Straits Times industrial index added just 3.30 to 871.48.

Pan Electric continued its upward trend, advancing 10 cents to S$2.32 in heavy trading, which put it at the head of the actives list.

Meanwhile, Lee Kim Tah Holdings, a family controlled holding concern with interests in construction and property development, announced that it was going public with an initial offering of 20m shares of 50 cent par value priced at S$1.50 a share.

SOUTH AFRICA

THE OUTCOME for Johannesburg golds was higher but below the day's best as bullion values failed to hold all early gains.

Hartebeest finished R2 better at R96, after touching R97, while Buffels was an exception with a 50-cent dip to R66.50. Of the mining houses Anglo-American ended unaltered at R22 after R22.35, but Gencor put on 50 cents to R25.50.

Prime rate pressures held industrials back. Barlow Rand, actively traded, eased 5 cents to R12.45.

CANADA

AN INITIALLY firmer Toronto tone gave way shortly after midsession, although gold issues remained a focus of strength. The energy and transport sectors were dull through much of the day.

Morning strength in Montreal was similarly eroded, with banks and industrials faring somewhat worse than utilities.

EUROPE

Low-key approach prevails

ACTIVITY on the European bourses yesterday remained low-key, and while some encouragement was drawn from Friday's firmer Wall Street finish, the prevailing mood of restraint did not allow for the persistent pressures of the dollar and U.S. interest rate levels to be overridden.

Such buying as was attracted to Frankfurt was light and mainly domestic in origin, and even that tapered off toward the close. The midsession daily calculation of the Commerzbank index, ahead 8.7 at 953.8, did not fully reflect the later caution.

Banks remained under some pressure amid the reluctance of the West German authorities to lift official interest rates in line with world trends. Deutsche Bank managed a DM 1 rise to DM 326 but Dresdner slipped 60 pfg to DM 147.70.

The expected resumption of support for vehicle issues, severely eroded during the engineering workers strike campaign, failed to gain any further momentum. VW shed DM 1 to DM 172 and Daimler Benz DM 5 to DM 525.

In an otherwise dull engineering sector, KHD put on DM 2.80 to DM 223.80, while firmest among the chemicals were Hoechst, DM 1.20 ahead at DM 161.50, and Degussa, DM 4 higher at DM 357.

A quiet domestic bond market showed gains of up to 30 basis points, enabling the Bundesbank to offload DM 18.8m in paper.

The tax cuts heralded at the weekend by President François Mitterrand aided a firmer Paris result, but buying was held back by a 1½ point jump in call money to 12½ per cent – attributed to the drain on liquidity brought about by the flotation of a new state loan.

Gains in the food and beverage sector were led by Pernod Ricard, up FFr 17 to FFr 784, while a strong automotive side had Peugeot FFr 6.30 better at FFr 187 and tyre maker Michelin up FFr 15 to FFr 764.

Dealings in Milan were busier than usual, but this merely reflected position-squaring on the last day of the monthly account. Among the firmer spots on a mixed day were industrial leaders Fiat, up L34 to L4,039, and Olivetti, L18 higher at L5,150.

Friday's Amsterdam advance could not be sustained, and the outcome was narrowly lower. Movements on the day rarely extended beyond a guilder, although publisher VNU was an exception – it held unchanged through much of the session but achieved a late Fl 1.50 jump to Fl 146.50.

Unilever shed that amount at Fl 251.30, while Royal Dutch firmed 50 cents to Fl 199.70. ABN fared best of the major banks with a Fl 3 gain at Fl 304.

A featureless bond market managed gains of 10 basis points at most.

A firmer Zurich undertone was aided by good trading performances being reported by the chemicals companies. Sandoz put on SwFr 25 to SwFr 6,900, and Ciba-Geigy SwFr 15 to SwFr 2,170, while Hoffmann-La Roche added SwFr 50 to SwFr 9,300 ahead of its bullish projection for the year.

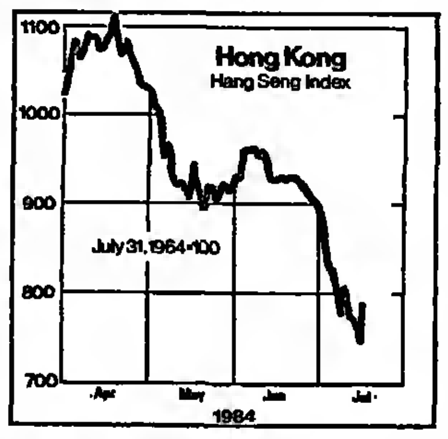
Bonds held steady.

A revival in Brussels buying interest was detected, bringing gains of BFr 60 to market leader Petrofina at BFr 6,660 and a sharper BFr 220 boost in Vieille Montagne at BFr 4,070.

The start to the Stockholm trading week was quiet. To the fore in volume terms were Asea, SKr 5 ahead at SKr 345, and Ericsson, up SKr 1 to SKr 316. Electrolux, aiming to take over Zanussi of Italy, dipped SKr 1 to SKr 249.

The shipping sector held back an otherwise firm Copenhagen, while Oslo also improved: Norsk Hydro added NKr 10 to NKr 575, and Norsk Data NKr 5 to NKr 280.

Utilities led Madrid lower, with only the property sector holding up.



HONG KONG

THE UNEXPECTED weekend decision of Hong Kong's Association of Banks to hold interest rates at their current level provided the basis for a sharply higher move by the colony's stock market.

Comfort was also taken from the firmer local dollar and the commitment by Mr Richard Luce, the British Foreign Office Minister, that the UK would retain responsibility for the administration of the colony until 1997.

The Hang Seng index added 45.14 to 791.16 in modest turnover, which was indicative of short covering transactions by local investors.

In the property sector, Cheung Kong gained 70 cents to HK$6.65, Hongkong Land 20 cents to HK$4.60.

TOKYO

The margin proves a problem

BUYERS were attracted in Tokyo yesterday to stocks backed by particular incentives and to those able to be purchased with cash only. This led the Nikkei-Dow market average higher for the first time in four sessions, but transactions remained slow, *writes Shigeo Nishiwaki of Jiji Press.*

The barometer of 225 select issues improved 23.46 to 10,177.56, on volume of 242.73m shares, up slightly from last Friday's 239.74m. Declines almost matched advances 323 to 321, with 198 issues unchanged.

Investors selected only speculatives and some cash issues, which are not affected by the growth in the buying balance on margin trading – standing at a record Y2,700bn.

A Daiwa Securities official cited investor concern at unfavourable factors in Japan and overseas, especially the uncertain outlook for U.S. interest rates. Also negative was the approach of deadline for the settlement of issues bought on margin.

Securities company estimates put the settlement value of margin buying between January and March at Y190bn for August, Y570bn for September and Y760bn for October.

Selected in lacklustre trading were some non-ferrous metal stocks. Nippon Mining climbed Y18 to Y507 on the day's largest volume of 38.42m shares, accounting for 18 per cent of total turnover. Mitsubishi Metal rose Y13 to Y609 and Sumitomo Metal Mining Y10 to Y1,580.

Tohoku Metal Industries scored a maximum allowable daily gain of Y200 to Y1,340 on news of the development of static induction technology by the state-run Tohoku University, and Nichiban posted a parallel rise of Y100 to Y710.

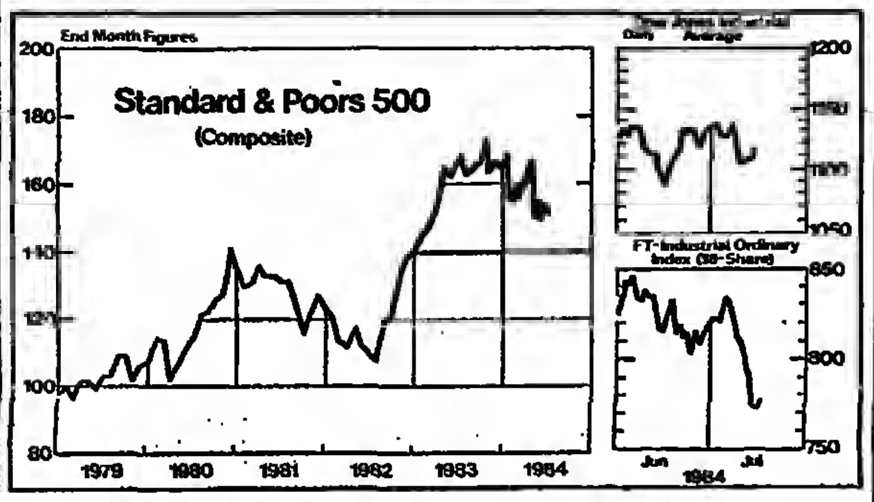
Gains in small capital cash stocks included Toyo Denko, up Y90 to Y666; Mochida Pharmaceutical, up Y170 to Y7,170; and Copal, up Y56 to Y839.

Blue chips were mixed, with Fuji gaining Y20 to Y1,570, while Matsushita Electric Industrial fell Y10 to Y1,580.

The bond market rallied, reflecting the firmness of U.S. bond prices at the end of last week and the yen's appreciation against the U.S. dollar in Tokyo yesterday, as well as the improved supply-demand position since the Bank of Japan purchased 10-year government bonds worth Y154bn earlier this month.

The yield on the barometer 7.5 per cent government bonds due in January 1993 declined to 7.45 per cent from last Friday's 7.48 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 16	Previous	Year ago
DJ Industrials	1,116.83	1,109.37	1,192.31
DJ Transport	460.60	463.27	561.31
DJ Utilities	126.88	125.77	130.21
S&P Composite	151.59	150.88	164.29
LONDON			
FT Ind Ord	775.0	770.7	688.5
FT-SE 100	1,003.0	995.8	930.9
FT-A All-share	470.07	466.49	436.72
FT-A 500	506.23	502.46	473.66
FT Gold mines	553.9	549.2	647.4
FT-A Long gilt	11.20	11.24	10.77
TOKYO			
Nikkei-Dow	10,177.58	10,154.10	8,900.02
Tokyo SE	774.95	774.14	655.29
AUSTRALIA			
All Ord.	676.9	669.0	633.0
Metals & Mins.	421.5	416.9	565.7
AUSTRIA			
Credit Aktien	53.65	53.56	55.59
BELGIUM			
Belgian SE	141.85	141.65	128.64
CANADA	July 16	Prev.	Yr ago
Toronto			
Metals & Minls	n/a	1,748.8	—
Composite	2,170.9*	2,176.2	2,443.8
Montreal			
Portfolio	105.21*	105.45	121.83
DENMARK			
Copenhagen SE	187.3	166.5	158.8
FRANCE			
CAC Gen	166.7	166.9	125.4
Ind. Tendance	108.4	107.1	82.7
WEST GERMANY			
FAZ-Aktien	330.26	328.01	325.42
Commerzbank	953.8	947.1	966.7
HONG KONG			
Hang Seng	791.16	746.02	1,077.5
ITALY			
Banca Comm.	208.99	208.96	191.11
NETHERLANDS			
ANP-CBS Gen	153.2	153.0	135.2
ANP-CBS Ind	123.8	123.7	109.7
NORWAY			
Oslo SE	239.81	238.02	192.8
SINGAPORE			
Straits Times	871.46	868.18	960.63
SOUTH AFRICA			
Golds	n/a	907.8	893.4
Industrials	n/a	n/a	919.3
SPAIN			
Madrid SE	126.62	127.66	119.65
SWEDEN			
J & P	1,474.55	1,474.28	1,392.81
SWITZERLAND			
Swiss Bank Ind	361.2	359.6	337.1
WORLD	July 13	Prev	Year ago
Capital Int'l	169.5	166.6	177.3

GOLD (per ounce)

	July 16	Prev
London	$351.50	$344.75
Frankfurt	$350.50	n/a
Zürich	$350.75	$344.50
Paris (fixing)	$354.51	$342.41
Luxembourg (fixing)	$352.50	$342.35
New York (July)	$348.50	$344.40

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 16	U.S. DOLLAR Previous	STERLING July 16	STERLING Previous
$	–	–	1.326	1.3235
DM	2.8255	2.8305	3.74	3.75
Yen	240.55	241.5	318.75	319.5
FFr	8.645	8.705	11.49	11.4875
SwFr	2.384	2.399	3.16	3.18
Guilder	3.1785	3.1985	4.22	4.23
Lira	1735.0	1744.0	2300.0	2308.5
BFr	57.145	57.505	76.225	76.125
C$	1.3265	1.3275	1.7585	1.755

INTEREST RATES

	July 16	Prev
Euro-currencies (3-month offered rate)		
£	12 11/16	12 11/16
SwFr	4¾	4 13/16
DM	5⅞	5⅞
FFr	12 7/16	12⅜
FT London interbank fixing (offered rate)		
3-month U.S.$	12	12
6-month U.S.$	12 9/16	12 11/16
U.S. Fed Funds	11 7/16	11
U.S. 3-month CDs	11.55	11.45
U.S. 3-month T-bills	10.02	9.92

U.S BONDS

Treasury		July 16* Price	July 16* Yield	Prev Price	Prev Yield
13	1986	100 [illegible]/32	12.82	100 [illegible]/32	12¾
13¾	1991	102 [illegible]/32	13.27	102 [illegible]/32	14⅛
13⅛	1994	99 [illegible]/32	13.27	99 [illegible]/32	13.22
13¼	2014	101 [illegible]/32	13.08	101 [illegible]/32	13.06
Corporate		July 16*		Prev	
AT & T		Price	Yield	Price	Yield
10⅜ June 1990		66½	13.80	86½	13.80
3⅞ July 1990		71	10.55	71	10.55
8¾ May 2000		67½	13.85	67½	13.85
Xerox					
10⅞ March 1993		83⅞	14.00	83⅞	14.00
Diamond Shamrock					
10¾ May 1993		82½	14.15	82½	14.15
Federated Dept Stores					
10⅞ May 2013		76¼	14.05	76¼	14.05
Abbot Lab					
11.80 Feb 2013		84⅞	14.05	84⅞	14.05
Alcoa					
12¼ Dec 2012		84⅞	14.50	84⅞	14.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	62-28	63-15	62-23	62-31
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	87.85	89.41	89.29	89.40
Certificates of Deposit (IMM) $1m points of 100%				
Sept	89.30	89.41	87.85	88.03
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	87.83	87.89	87.76	87.86
20-year Notional Gilt £50,000 32nds of 100%				
Sept	100-12	100-13	99-27	99-31

COMMODITIES

(London)	July 16	Prev
Silver (spot fixing)	574.05p	580.80p
Copper (cash)	£1015.50	£1014.50
Coffee (July)	£2184.00	£2195.50
Oil (spot Arabian light)	$27.57	$27.68

Closing prices, July 16

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, July 16

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	8⅞	ALLab	n		12	23	9¼	9	9¼	
6⅞	3⅞	vjAMIn				52	3	2⅞	3	+ ⅛
4¼	⅞	ATI				118	1	⅞	1	+1-16
64	58	ATTFd	n3.66e	5.3		61	62¼	62	62	− ⅞
3⅞	2½	AcmePr				26	2½	2½	2½	
19⅛	12	AcmU	s.32	2.7	12	14	12⅛	12	12	
16⅞	9⅞	Action			10	43	15⅛	15⅛	15⅛	− ⅛
9⅞	5½	Acton s				42	6⅞	6⅞	6⅞	
5⅞	2⅞	AdmRs			5	14	2⅞	2½	2⅞	− ⅛
28½	15⅞	AdRusl	a.10	.5	11	19	19	18⅞	18⅞	+ ⅛
28⅞	17¼	Adobe	.24	1.4	12	984	17¼	d16⅞	17	− ¼
6⅞	3⅞	AeginCp			15	27	5⅞	5⅛	5⅛	+ ⅛
6⅞	4	Aeronca			7	67	5⅞	5⅛	5⅛	
17¼	9⅞	AfllSix	.12e	.9	10	229	14	13⅞	13⅞	+ ⅛
14⅞	5⅞	AirExp				137	9	8⅞	6⅛	− ⅛
5⅞	3⅞	Alamco			6	19	4⅛	4⅛	4⅛	+ ⅛
20½	9⅞	AlbaW	.20e	2.1	8	4	9⅞	d9⅛	9⅞	
9⅞	5⅞	Aloha	.48r	6.3	3	13	7⅞	7⅛	7⅛	
22⅞	12¼	Alphain	.05	.4	18	20	14	13⅞	13⅞	
2¼	⅞	Altex				66	1⅛	⅞	⅞	
35	28⅛	Alcoa	pf3.75	13.		z5750	30⅛	28⅛	28⅛	−1⅛
32½	11⅞	AlzaCp			64	82	14⅛	13⅞	14	− ⅛
26¼	10	Amdahl	.20	2.1	10	496	10⅛	d9⅞	9⅞	− ⅞
23	12	Amedco	.08	.6	14	79	13⅛	12⅞	13⅛	+ ⅛
7⅞	4⅛	AmBlt	.15	3.0	9	106	5	5	5	
9⅞	2¼	AmCap				12	5⅞	6	5	− ⅛
39	30	AContrl	.92	2.5	10	6	36⅛	36⅛	36⅛	
[illegible]										

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
39½	28⅞	Witco	1.48	5.0	8	8	30	29¾	29¾	− ¼
21¼	9¼	WolvrW	.48	4.6	13	715	10⅞	10	10½	+ ⅞
29½	21½	WoodPt	.72	3.3	19	19	22⅛	22	22⅛	
39⅞	29⅞	Wolwth	1.80	5.2	9	236	34¼	34¼	34½	+ ½
54⅞	42½	Wolw	pf2.20	4.6		7	48	48	48	+ ⅛
5⅞	1	WrldAr				5	4½	4⅞	4⅞	− ⅛
57¼	45	Wrigly	1.80	3.3	10	33	55	54¾	55	+ ¼
8⅞	3¼	Wurltzr			8	65	3⅞	3⅛	3⅛	− ⅛
25⅞	12	WyleLb	.32	2.6	9	77	12¼	12⅛	12⅛	− ⅛
21⅞	16½	Wynns	.60	3.4	10	18	17⅞	17½	17½	− ⅛

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full

WORLD STOCK MARKETS

AUSTRIA

July 16	Price Sch%	+ or −
Creditanstalt	209	.....
Goesser	321	.....
Interunfall	398	.....
Laenderbank	206	.....
Perlmooser	336	.....
Steyr-Daimler	141	.....
Veitscher Mag	317	+5

BELGIUM/LUXEMBOURG

July 16	Price Frs.	+ or −
ARBED	1,440	+20
Banq Int A Lux	5,050	.....
Bekaert B	3,910	−50
Ciment CBR	2,325	.....
Cockerill	225	.....
Delhaize	4,895	+45
EBES	2,420	+5
Electrobel	6,780	+130
Fabrique Nat	1,810	+10
GB Inno BM	3,105	+10
GBL (Brux)	2,195	−10
Gevaert	3,125	+5
Hoboken	6,110	+50
Intercom	1,860	−15
Kredietbank	6,890	+40
Pan Hldgs.	93,00	−70
Petrofina	6,660	+60
Royale Belge	9,500	−50
Soc. Gen. Banq	2,980	−65
Soc. Gen. Belge	1,515	+5
Sofina	6,010	+30
Solvay	3,510	.....
Traction el	3,435	+85
UCB	4,330	+10
Vieille Mont	4,070	+220

DENMARK

July 16	Price Knr %	+ or −
Aarhus Olie	445	.....
Andelsbanken	221	−1

GERMANY

July 16	Price Dm.	+ or −
AEG-Telef	90.2	−0.8
Allianz Vers	756	+1
BASF	150	.....
Bayer	155	−0.2
Bayer-Hypo	261	.....
Bayer-Verein	302	+1
BHF-Bank	337	+1
BMW	367	−0.6
Brown Boveri	208.5	−0.5
Commerzbank	148	−0.3
Cont'l. Gummi	111.5	+0.7
Daimler-Benz	525	−5
Degussa	357	+4
D'sche Babcock	141	−6
Deutsche Bank	328	+1
Dresdner Bank	147.7	−0.8
GHH	129.5	−2
Hochtief	610	−13
Hoechst	161.5	+1.2
Hoesch Werke	97.1	−0.9
Holzmann (P)	435	.....
Horten	165.5	−0.5
Kali und Salz	214.8	−1
Karstadt	236	.....
Kaufhof	205.8	+0.8
KHD	223.8	+2.8
Kloeckner	53.8	+1.3
Krupp	77.5	.....
Linde	348	−2
Lufthansa	141	+0.6
MAN	136.5	−1.5
Mannesmann	133.5	−1
Mercedes Hld	463	−2
Metallgesell	220	.....
Muench Rueck	1,050	.....
Preussag	238	−4.5
Rhein West Elect	166	+0.5
Rosenthal	229	−1
Schering	320.5	.....
Siemens	374.5	−0.5
Thyssen	74	+0.5
Varta	170	+1.5
Veba	164	.....
V.E.W	114.2	+1.7
Verein-West	286	.....
Volkswagen	172	−1

NORWAY

July 16	Price Kroner	+ or −
Bergen Bank	150	.....
Borregaard	252	.....
Christiania Bk	161	+2
Den Norsk Credit	158	.....
Elkem	128.5	.....
Norsk Data	880	+5
Norsk Hydro	575	+10
Storebrand	200	.....

SPAIN

July 16	Price Pta%	+ or −
Bco Bilbao	342	.....
Bco Central	340	−1
Bco Exterior	801	−1
Bco Hispano	850	.....
Bco Santander	329	−2
Bco Vizcaya	388	−8
Dragados	151	−4
Hidrola	54.5	−1.7
Iberduero	62.7	−0.3
Petroleos	134	.....
Telefonica	60.5	−0.7

SWEDEN

July 14	Price Kronor	+ or −
AGA	350	.....
Alfa-Laval	227	+1
ASEA (Free)	345	+5
Astra (Free)	390	−5
Atlas Copco	125	+2
Boliden	366	−2
Cardo (Free)	325	+5
Cellulosa	140	+1
Electrolux B	249	−1
Ericsson	316	+1
Esselte	300	+5
Mo Och Domsjo	390xa	+8
Pharmacia	284	−1
Saab-Scania	406	−1
Sandvik	400	.....
Skandia	355	.....
Skan Enskilda	319	+1
SKF	193	.....
St. Kopparbergs	740	−5
Sven Handelsbn	182	.....
Swedish Match	230	.....
Volvo B (Free)	254	+4

SWITZERLAND

July 16	Price Frs.	+ or −
Alusuisse	765	−5
Bank Leu	3,425	+65
Brown Boveri	1,320	−5
Ciba Geigy	2,170	+15
do. (Part Certs)	1,730	−5
Credit Suisse	2,060	+20
Elektrowatt	8,350	+40

ITALY

NETHERLANDS

FRANCE

AUSTRALIA (continued)

HONG KONG

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO
Closing prices July 16

MONTREAL
Closing prices, July 16

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued on Page 38

LONDON

Chief prices changes
(In pence unless otherwise indicated)

RISES

Tr. 11½ pc 01-04	£103	+ ½
Butterf'd-H.	17	+ 3
Cifer	41	+ 6
Hawker Sidd.	412	+15
Hollis Bros.	49	+ 7
Ibstock Johnsen	201	+12
Jardine Math.	59	+ 7
Mayfair & City	111	+ 7
Midland Bank	330	+12
Milford Docks	40	+ 5
Pegler-Hatters.	228	+ 8
Pilkington	245	+10
Rivlin	88	+ 8
Rowntree	298	+20
STC	306	+ 8
Strong & Fisher	115	+ 7
Sun Alliance	358	+11
Yorkshire Chem.	43	+ 4
Anvil Petro.	95	+15
Lasmo	275	+ 8
Oil Co. Aust.	57	+17½
Charter Cons.	212	+17
Kalgoorlie	450	+25
Poseidon	208	+11

FALLS

BAe	310	−17
Lucas	170	− 8
Sumrie Clothes	78	− 9
Vinten	244	−14
Bryson O & G	430	−23
Applied Botan	7	− 3

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

Indices

NEW YORK—DOW JONES

	July 16	July 13	July 12	July 11	July 10	July 9	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Industrials	1116.83	1109.87	1124.59	1134.28	1138.88	1132.40	1286.64 (6/1)	1086.90 (15/6)	1287.70 (19/11/83)	41.22 (2/7/32)
Transport	460.60	463.27	475.82	478.42	472.22	474.18	612.63 (9/1)	457.82 (25/5)	612.63 (9/1/84)	12.32 (8/7/32)
Utilities	126.88	125.77	124.47	124.37	124.47	124.28	134.83 (6/1)	122.25 (15/6)	163.72 (20/4/69)	10.5 (28/4/42)
Trading vol	74.1m	75.48m	65.85m	69.95m	69.23m	58.77m	—	—	—	—

	June 22	June 15	June 8	Year Ago (Approx)
Ind Div Yield %	5.81	5.21	4.98	4.45

STANDARD AND POORS

	July 16	July 13	July 12	July 11	July 10	July 9	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Industrials	172.27	171.89	124.01	175.16	174.74	174.73	189.84 (6/1)	169.26 (15/6)	194.84 (10/10/83)	3.82 (30/6/32)
Composite	151.60	150.56	152.76	153.70	153.20	153.18	169.28 (6/1)	149.03 (15/6)	172.15 (10/10/83)	4.40 (1/6/32)

	July 5	June 27	June 20	Year Ago (Approx)
Ind div yield %	4.22	4.27	4.19	—
Ind. P/E Ratio	10.91	10.75	10.96	—
Long Gov Bond Yield	13.59	13.86	13.51	—

N.Y.S.E ALL COMMON

July 16	July 13	July 12	July 11	1984 High	1984 Low
86.68	87.34	88.17	88.62	97.71 (6/1)	86.98 (15/6)

RISES AND FALLS

	July 13	July 12	July 11
Issues traded	1,935	1,932	1,932
Rises	859	498	375
Falls	616	926	1,092
Unchanged	466	589	445

New York Active Stocks

Thursday	Stocks Traded	3.00 p.m. Price	Change on Day
Bocal CP	1,548,700	37¾	+1⅝
Time	1,171,600	35¾	−½
ITT Corp	1,119,000	22¼	−½
ATT	955,600	16⅜	−⅛
NCR	775,800	21½	−1⅜
Bal Paries	733,200	26½	−⅞
IBM	683,300	105⅝	+½
LTV Corp	601,800	10⅛	
USF+G CP	584,200	18¼	−⅛
Exxon	574,600	40⅞	+⅛

NEW YORK CLOSING PRICES

Continued from Page 29

MARKET REPORT

Gilts better again and equity markets edge higher on dock strike settlement hopes

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23
July 16	July 26	July 27	Aug 6

* "New-time" dealings may take place from 6.30 am two business days earlier.

London equity markets began to show signs of resisting the recent downward trend on the first day of the new trading Account.

A rather gloomy weekend Press on the current labour problems and last week's moves to dearer money ensured a cautious start. *As a result, most* leading industrials were marked a few pence lower.

A subsequent rally, however, owed much to a change in sentiment which followed news that the dockers' union and Port Employers had accepted an invitation to meet industrial peacemakers at Acas today in a bid to settle the dispute. Potential investors were usually content to await a clearer lead, but a relatively quiet and steady performance in sterling yesterday also contributed to the slightly better underlying tone.

Measuring the trend, the Financial Times Industrial Ordinary share index, down 4.7 at the first *calculation*, rallied to close 4.3 higher on the day at 775.0. A modest but welcome improvement after last week's reaction of 48.6.

Elsewhere, Consumer shares, which came under considerable selling pressure last week, took a modest turn for the better. Weekend Press tips met with a ready response, while the day's trading session was also enlivened by a fair amount of takeover speculation.

Although doubts about the future course of American interest rates persisted, Government stocks were encouraged by last week's sustained rally in U.S. bonds and by the more settled showing of sterling in currency markets. Long-dated stocks closed on ¼ or so below the best but still recorded fresh gains extending to ¼, while the mediums were usually ¼ dearer. Short-dated issues were also a fraction better and the Government securities index rallied further to 76.81, up 0.07.

Midland below best

Midland led the major clearers higher, closing 12 better at 330p, after 333p, following further consideration of the £159m acquisition of the 43 per cent minority interest in Crocker National, its troubled U.S. subsidiary; Midiand start the interim dividend season on July 26. NatWest put on 7 at 380p and Barclays, 465p, and Lloyds, 435p, firmed 5 apiece. Among foreign issues, Standard Chartered found support at 470p, up 7, while ANZ gained 10 to 293p. Elsewhere, Brown Shipley closed unaltered at 335p after initially being marked down to 330p on news of the proposed £6.2m rights issue.

Sun Alliance stood out in Insurances, rising 11 to 358p in response to weekend Press comment on its agreed 650p per share cash bid for Phoenix, 5 dearer at 625p.

Data Design Techniques, a company which provides maintenance for microcomputer systems, staged a successful debut in the Unlisted Securities Market; placed at 135p, the shares opened at 137p and moved ahead steadily to close at 148p. Among other recently-issued equities, Mayfair City Properties attracted support and rose 7 to 111p.

Most leading Buildings recovered from a cautious start to close a few pence dearer on the day. Redland finished 4 better at 227p and RMC a shade firmer at 334p. Among Contracting and Construction issues, AMEC improved 3 to 190p and Taylor Woodrow hardened a similar amount to 290p. Barratt Developments firmed 2 to 92p helped by news that the Kuwait Investment Office had increased its stake to 6.1 per cent. Marchwiel attracted revived support and rose 4 to 196p, while SGB gained the same amount to 118p, the latter aided by favourable Press comment. On the takeover front, William Leech were speculatively supported and touched 128p on hopes that the William Leech Foundation may accept C. H. Beazer's 145p per share cash offer, but reacted on news of the Foundation's unwillingness to agree to the terms and the close was just 2 dearer on balance at 120p. Old takeover favourite Ibstock Johnsen, which gained 7 on Friday, drew fresh support and rose 12 more to 201p. Elsewhere, Milbury moved up 8 to 88p in front of today's annual results.

Having dipped to a 1984 low of 526p initially, ICI rallied strongly during the morning session and touched 540p before drifting off again to close just 2 dearer on balance at 534p; the interim results are due on July 26. Among other Chemicals, Yorkshire found support and firmed 4 to 43p, while Laporte hardened a few pence to 280p. USM-quoted R. H. Morley rose 4 to 60p xd.

Stores shrugged aside recent consumer spending fears and opened the new Account in mildly encouraging fashion, although dealers reported only limited demand. The provisional estimate of the Retail Sales index for June of 112.0—a 1.3 increase in the previous month—had no apparent effect on sentiment. The leaders closed below best levels but still retained modest rises. Burton were relatively lively and touched 217p before settling a net penny dearer at 215p, while Gussies "A" responded to favourable comment and traded up to 495p, closing a couple of pence up on balance at 490p.

Secondary Stores lacked a decided trend. MFI, 135p, and Dixons, 220p, added 2 apiece; the preliminary results are due today and Thursday respectively.

FINANCIAL TIMES STOCK INDICES

	July 16	July 13	July 12	July 11	July 10	July 9	year ago
Government Secs	76.81	76.74	76.44	76.53	76.47	77.23	80.32
Fixed Interest	80.94	81.01	80.97	81.10	81.55	81.22	83.12
Industrial Ord.	775.0	770.7	771.1	768.0	783.0	811.6	688.5
Gold Mines	553.9	549.2	539.2	532.8	560.1	532.3	647.4
Ord. Div. Yield	5.12	5.15	5.11	5.04	4.99	4.88	4.56
Earnings, Yld.% (full)	11.82	11.95	11.88	11.71	11.68	11.34	9.31
P/E Ratio (net) (*)	10.11	10.05	10.12	10.26	10.38	10.60	15.38
Total bargains (Est.)	12,547	21,584	16,835	19,581	17,627	16,820	19,505
Equity turnover £m.	—	223.23	322.44	221.88	203.42	196.70	163.21
Equity bargains	—	17,695	16,800	15,708	14,302	15,737	15,089
Shares traded (ml)	—	157.2	171.9	175.1	113.7	102.7	108.6

10 am 766.0. 11 am 766.1. Noon 772.1. 1 pm 772.5. 2 pm 772.9. 3 pm 773.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=9.67.

HIGHS AND LOWS

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	76.44 (12/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	80.94 (16/7)	155.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	922.8 (3/5)	770.5 (4/1)	926.8 (8/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	520.9 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	July 13	July 12
Daily		
Gilt Edged Bargains	185.7	153.2
Equities Bargains	114.6	108.8
Value	573.7	651.7
5-day Average		
Gilt Edged Bargains	164.4	158.0
Equities Bargains	104.0	96.9
Value	525.5	497.4

Press comment lifted Body Shop International 10 to 190p, while revived speculative interest was evident for I. D. and S. Rivlin, 8 better at 88p. Sumrie Clothes, on the other hand, reacted to small sellers in a narrow market and slumped 9 to 78p.

Shoes featured Strong and Fisher which advanced 7 to 115p, after 117p, following a newsletter investment recommendation.

STC advance

Standard Telephones and Cables returned to prominence in Electricals, rising 8 to 306p following news that the group *is* on the verge of clinching a £100m export deal to supply submarine cable linking Australia, Indonesia and Singapore. Elsewhere, leaders moved higher with the general trend. BICC improved 3 to 220p as did Racal to 215p. Thorn EMI, however, remained an unsettled market after last week's fall of 60 on the results and proposed £95m acquisition of Inmos, easing further to 456p before closing unaltered at 463p. Crystalate, 226p, and Telephone Rentals, 180p, rose 3 and 5 respectively in response to Press comment, while the recently depressed Cifer rallied 6 to 41p. Awaiting further bid developments, Security Centres firmed 15 to 260p. Electrocomponents gained 10 to 243p. Dull of late on Hong Kong worries, BSR regained 7 to 170p and Cable and Wireless retrieved the same amount at 282p.

Engineering leaders opened the new Account on a brighter note. Hawker featured with a rise of 15 at 412p, while GKN hardened a couple of pence to 160p and Vickers improved the turn to 160p. Elsewhere, Butterfield Harvey attracted buyers and firmed 3 to 17p, while Davy Corporation added 2 to 61p ahead of Thursday's preliminary results. Awaiting today's annual meeting, Pegler-Hattersley rose 6 to 228p. *Improvements of 5* and 6 respectively were seen in Bromsgrove Castings and Milling, 58p, and Spear and Jackson, 150p. A. Cohen added 7 to 430p xd on an investment recommendation.

The Food sector provided one of the day's best features in takeover favourite Rowntree Mackintosh which met with renewed speculative demand and advanced to 302p prior to closing a net 20 up at 298p. Other leading issues nisbed with small irregular movements. Northern improved 4½ to 168p xd and S. & W. Berisford hardened 3 to 161p. Elsewhere, Amos Hinton firmed 5 more to 325p awaiting news of the merger approach, but Hillards shed 6 to 204p following the annual results. Pyke Holdings, a good market on Friday, lost 7 to 243p on profit-taking.

British Aerospace down

Proceedings in the miscellaneous industrial sector were late announcement from British Aerospace that it is to discontinue bid discussions with GEC because of the lack of any specific proposals from the latter after extensive negotiations spanning over six weeks; BAe, which earlier this year had touched £4 per share when Thorn EMI and GEC were negotiating a possible takeover deal with the company, plummeted to 303p on yesterday's statement before rallying to close 17 down on balance at 310p. Elsewhere, Associated British Ports initially fell to 185p on news of the decision by Dover's Port workers to black all freight vehicles, but later rallied smartly to finish a penny dearer on the day at 204p on hopes of an early end to the strike. Vinten fell 14 to 244p on the disappointing results and Hawley relinquished 4 to 60p after cautious comment. Revived speculative buying lifted Hollis Bros. 7 to 49p and Gestetner A improved a few pence to 65p on Press comment. A depressed market last week following rumours of liquidity problems, Jardine Matheson rallied 7 to 59p. Among the steadier leaders, Pilkington gained 10 to 245p in response to Press comment.

Motor sectors remained irregular. Among Components, Lucas dipped 6 more to 170p, but Dowty, scheduled to announce preliminary results on Thursday, firmed a few pence to 133p. In Distributors, British Car Auction failed to glean encouragement from weekend comment *and eased 4 to 88p. Belfast*-based Charles Hurst were marked 8 lower to 110p.

Last week's disappointing interim statement continued to prompt weakness in Associated Newspapers which eased 5½ more to 415p xd; Daily Mail A declined 28 to 680p xd. Elsewhere, Hunterpoint, dealt in the USM, advanced 6 to 171p in response to the 20 per cent expansion in first-half profits and the confident trading outlook.

Leading Properties made modest progress on small buying. Land Securities edged up 3 to 274p and MEPC firmed 4 to 285p. Capital and Counties also rose 4, to 186p; the 6½ per cent Convertible moved up 3½ points to £5 premium. Among secondary issues, London and Edinburgh revived with a gain of 6 at 168p, while recently depressed Espley Trust rallied 3 to 35p. Estate agents were irregular. Bairstow Eves firmed 5 to 80p, but Connells shed 3 to a 1984 low of 92p. Elsewhere, Tops Estates shed 2 to 73p despite the doubled annual profits, while Trust of Property lost the turn to 26p following the interim figures and property revaluation.

A couple of bright spots emerged among Shippings. Revived speculative demand lifted Milford Docks 5 to 40p, while Turnbull Scott advanced 20 to 490p following the annual profits recovery.

Oils firmer

The oil majors ended the day with widespread gains following a report that an increase in petroleum product prices on the forecourt is expected.

BP and Shell were the main beneficiaries with the latter 7 higher at 617p and the former 8 better at 443p. LASMO moved up 8 to 275p while Ultramar continued its recent recovery and put on 10 to 245p. Britoil hardened 4 to 225p.

Applied Botanics, suppliers of house plants to Marks and Spencer, fell 3 to 7p following the expected profits shortfall and refinancing proposals.

Golds improve

Mining markets made a firm start to the new account following the latest improvement in the bullion price. The latter touched a high of $353.75 an ounce prior to closing a net $6.75 to the good at $351.5.

Gold shares, although still a quiet market, responded to Continental buying interest which easily offset early selling from Johannesburg. Prices edged higher throughout the session before closing a fraction below the day's best levels.

The Gold Mines index rose 4.7 more to 553.9, extending the gain over the past three trading days to one of 21.1.

The best performers in the heavyweights were Vaal Reefs, ¾ up at £79, and Southvaal, ¾ better at £36⅛, ahead of the dividends due on Friday along with the quarterly reports from the Anglo American group gold producers.

UK-domiciled Financials provided an exceptionally firm feature in Charter Consolidated which surged ahead in after-hours trading to close a net 17 higher at 212p, despite adverse Press comment.

Other London issues attracted the rally in domestic equities and the firm showing by precious metals. Consolidated Gold Fields settled 12 to the good at 500p, *RTZ 13* harder at 545p and Hampton Areas 5 better at 172p.

A fresh advance by overnight Sydney and Melbourne markets and the rise in precious metal prices encouraged renewed support for Australians. Golds were particularly favoured and showed Poseidon 11 higher at 208p, GMK 25 firmer at 450p and North Kalgurli 3 up at 47p.

In the leaders, CRA rose 6 to 294p, MIM 5 to 180p and Western Mining a couple of pence to 192p. The more speculative issues provided a firm spot in United Goldfields, 4 up at 34p.

Quieter conditions prevailed in Traded Options and total contracts transacted amounted to 3,938—well short of last week's daily average of 5,025. Lonrho returned to the fore and attracted 649 calls with the November 140's and 160's accounting for 260 and 266 trades respectively. Consolidated Gold Fields recorded 375 calls, 250 in the July 550's.

Shares offer

WORKERS for the Ward White shoe group at Wellingborough, Northants, are being offered the chance to buy shares in the company in a save-as-you-earn scheme. The move follows an increase in profits.

Shoe plant's U-turn

FOOTWEAR company Alexishu, of Kettering, Northants, is to take on 40 workers only four months after the existing workforce took a 25 per cent wage cut to save their job.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (9)

BANKS (1)
Bank of Scotland
CHEMICALS (1)
Morceau
FOODS (2)
Hinton (A.) Do. A; Cullen's
HOTELS (1)
Rowton Hotels
LEISURE (1)
SeaCo Inc.
SHIPPING (1)
Turnbull Scott
TRUSTS (1)
Cambrian Genl Cap

NEW LOWS (101)

BRITISH FUNDS (3)
INT. BK. & O'SEAS GOVT. STLG. ISS. (1)
FOREIGN BONDS (1)
AMERICANS (2)
CANADIANS (1)
BANKS (3)
BREWERS (2)
BUILDINGS (11)
CHEMICALS (2)
DRAPERY & STORES (5)
ELECTRICALS (3)
ENGINEERING (6)
FOODS (2)
HOTELS (1)
INDUSTRIALS (20)
MOTORS (5)
NEWSPAPERS (1)
PAPER (2)
PROPERTY (3)
TEXTILES (4)
TRUSTS (14)
OILS (5)
OVERSEAS TRADERS (1)
PLANTATIONS (2)
MINES (1)

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Thorn EMI	30	463	−10
Boots	27	146	− 2
Reed Intl	22	420	+ 2
Fleet Hlgs	20	167	− 2
Brit Aerospace	10	327	+ 5
Bowater	19	238	+ 3
Com Union	18	213	− 3
Midland Bank	12	318	+ 1
Pilkington Bros	18	235	+10
Sun Life	12	630	−10
Woolworth	19	423	+13
Assoc Dairies	17	152	− 4
Beecham	17	290	—
Hanson Trust	17	201	+ 3

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Mon July 16 1984: Index No., Day's Change %, Est. Earnings Yield% (Max.), Gross Div. Yield% (ACT at 30%), Est. P/E Ratio (Net); Fri July 13, Thur July 12, Wed July 11, Tue July 10: Index No.; Year ago (approx.) Index No.

	Group	Index No.	Day's Change %
1	CAPITAL GOODS (205)	455.45	+0.8
2	Building Materials (23)	[illegible]	[illegible]
3	Contracting, Construction (30)	[illegible]	[illegible]
4	Electricals (14)	[illegible]	[illegible]
5	Electronics (31)	[illegible]	[illegible]
6	Mechanical Engineering (62)	[illegible]	[illegible]
8	Metals and Metal Forming (9)	[illegible]	[illegible]
9	Motors (17)	[illegible]	[illegible]
10	Other Industrial Materials (17)	[illegible]	[illegible]
21	CONSUMER GROUP (193)	[illegible]	[illegible]
22	Brewers and Distillers (23)	[illegible]	[illegible]
25	Food Manufacturing (22)	[illegible]	[illegible]
26	Food Retailing (12)	[illegible]	[illegible]
27	Health and Household Products (9)	[illegible]	[illegible]
29	Leisure (22)	[illegible]	[illegible]
31	Newspapers, Publishing (13)	[illegible]	[illegible]
32	Packaging and Paper (15)	[illegible]	[illegible]
34	Stores (46)	[illegible]	[illegible]
35	Textiles (19)	[illegible]	[illegible]
36	Tobaccos (3)	[illegible]	[illegible]
39	Other Consumer (8)	[illegible]	[illegible]
41	OTHER GROUPS (87)	[illegible]	[illegible]
42	Chemicals (17)	[illegible]	[illegible]
44	Office Equipment (4)	[illegible]	[illegible]
45	Shipping and Transport (14)	[illegible]	[illegible]
46	Miscellaneous (52)	[illegible]	[illegible]
49	INDUSTRIAL GROUP (485)	[illegible]	[illegible]
51	Oils (17)	[illegible]	[illegible]
59	500 SHARE INDEX	[illegible]	[illegible]
61	FINANCIAL GROUP (120)	[illegible]	[illegible]
62	Banks (6)	[illegible]	[illegible]
65	Discount Houses (8)	[illegible]	[illegible]
66	Insurance (Life) (9)	[illegible]	[illegible]
67	Insurance (Composite) (9)	[illegible]	[illegible]
68	Insurance (Brokers) (6)	[illegible]	[illegible]
69	Merchant Banks (12)	[illegible]	[illegible]
70	Property (53)	[illegible]	[illegible]
71	Other Financial (19)	[illegible]	[illegible]
81	Investment Trusts (104)	[illegible]	[illegible]
91	Mining Finance (4)	[illegible]	[illegible]
92	Overseas Traders (14)	[illegible]	[illegible]
99	ALL-SHARE INDEX (742)	[illegible]	[illegible]
	FT-SE 100 SHARE INDEX	1003.9	+7.2

FIXED INTEREST

	PRICE INDICES	Mon July 16	Day's change %	Fri July 13	xd adj. today	xd adj. 1984 to date
	British Government					
1	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	5–15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS — British Government: Low, Coupons, Medium, High Coupons 5 years, 15 years, 25 years; Irredeemables; Debs & Loans 5, 15, 25 years; Preference. [illegible]

BRITISH GOVERNMENT INDEX-LINKED STOCKS — Inflation rate 5%, 10%. [illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$325	10	29	—	—	4	59	$351.95
GOLD C	$350	68	10.50	20	24.50	—	—	"
GOLD C	$375	4	2.30 B	93	10.10	10	18.50	"
GOLD C	$400	10	1.50	18	4.50	10	10.50	"
GOLD C	$425	—	—	10	2.30	—	—	"
GOLD P	$325	13	1	4	3.50	5	6.50	"
GOLD P	$350	2	7	54	9	12	11	"

[illegible]

TOTAL VOLUME IN CONTRACTS 11,066

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. C Canadian F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters (or fully-paid). ‡‡ Introduction. ☆ Unlisted Securities Market. § Placing price. †† Official London Listing. ‡ No par value.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Assoc British Ports	204	+ 1
Assoc Newspapers	415xd	− 5½
Atlantic Resources	52	− 4
Beecham	290	—
Blundell - Permoglaze	163	− 1
Burton	215	+ 1
European Ferries	92½	—
Fleet Holdings	168	+ 1
GEC	182	+ 2
ICI	534	+ 2
Rowntree Mackintosh	298	+20
Smith and Nephew	173	+ 1

RISES AND FALLS

	Rises	Falls	Same
British Funds	60	15	27
Corpns. Dom. and Foreign Bonds	23	10	47
Industrials	317	259	833
Fin. and Props.	137	67	320
Oils	36	12	66
Plantations	2	5	13
Mines	97	21	57
Others	64	50	144
Totals	736	445	1,507

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 9	July 20	Oct 11	Oct 22
July 23	Aug 3	Oct 25	Nov 5
Aug 6	Aug 17	Nov 8	Nov 19

For rate indications see end of Share Information Service.

Money was given for the call in Acorn Computer, Rotaprint, Intasun, Thomas Borthwick, Brown and Jackson, Rank Organisation, Aran Energy, Britoil, Northern Goldsmiths, Birmid Qualcast, Gestetner A, Bowater, Jardine Matheson, Polly Peck, London Investment Trust, Turner and Newall, Renold, Yorkshire Chemicals, Ocean Transport and Trading, Atlantic Resources, Bryson and Barratt Developments. A put was taken out in Sound Diffusion, and a double in Moben.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100	99	Treas 12pc 1984	100	–	12.00	11.34
105	101	Treas. 15pc 1985	102 xd	+	14.70	11.41
102	100	Exch 12pc Cnv. '85	100	+	11.97	11.48
95	93	Treas 3pc 1985	93	+	3.20	10.98
102	94	Treas 11½pc 1985	95	+	11.53	11.76
99	95	Treas 8¾pc Cnv '85	96	+	9.04	11.76
104	100	Exch. 12¼pc 1985	100	+	12.22	11.93
103	99	Exch. 11¼pc '86	99	+	11.82	12.01
102	96	Treas. 10pc Cnv 1986	96	+	10.34	12.12
90	88	Treas 3pc 1986	89	+	3.34	9.05
102	96	Exch. 10½pc Cv '86	97	+	10.79	12.13
104	99	Treas 12pc 1986	99	+	12.02	12.08
98	91	Treas 8½pc 1984-86‡‡	96 xd	+	9.02	11.83
108	102	Exch. 14pc 1986	105	+	13.55	12.24
87	85	Exch. 2½pc 1986	85	+	2.92	9.52
107	101	Exch. 13¼pc 1987	101 xd	+	13.02	12.27
100	94	Treas 10¼pc Cv '87	95 xd	+	10.75	11.44
86	83	Exch 2½pc 1987	83	–	3.00	9.07
101	95	Exch. 10½pc 1987	95	+	11.02	12.55
92	87	Funding 6½pc '85-87‡‡	87	+	7.44	11.93
99	93	Treas. 10pc 1987	94	+	10.64	12.50
85	81	Treas 3pc 1987	82 xd	.....	3.63	9.84
105	98	Treas. 12pc 1987	98	.....	12.21	12.59
94	88	Treas 7¾pc 1985-88‡‡	88 xd	+	8.78	11.92
100	93	Exch 10½pc '88	94	+	11.17	12.50
98	90	Treas 9½pc Cv '88	91	+	10.66	12.57
82	77	Transport 3pc '78-88	78 xd	–	3.83	9.13
96	89	Treas. 9½pc '88	89	.....	10.58	12.63
106	95	Treas 11½pc 1989	96 xd	–	11.97	12.67
95	88	Treas 9½pc Cnv. '89	89	+	10.62	12.50
95	92	Treas 10½pc 1989	92	+	11.36	12.60

Five to Fifteen Years

Over Fifteen Years

Undated

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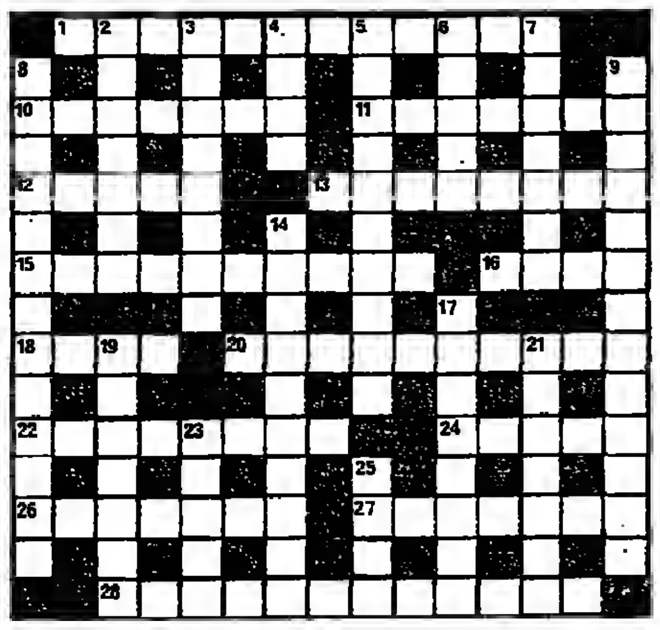

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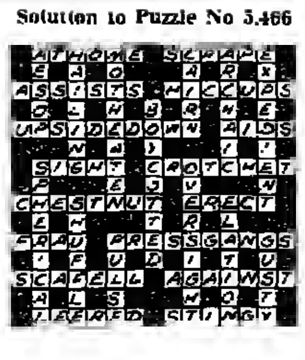

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COMMODITIES AND AGRICULTURE

Copper stocks fall further

BY JOHN EDWARDS, COMMODITIES EDITOR

THE DECLINE in copper stocks held in the London Metal Exchange warehouses accelerated sharply last week.

Figures isued by the LME yesterdoy showed thet copper stocks fell by 16,000 tonnes, reducing total boldings to 206,325 tonnes — the lowest level since November, 1982.

In January this year copper stocks reached a five-year peak of 435,975 tonnes, but they have fallen steadily over since.

However, last week's fall in stocks bad little impact on market prices yesterdoy. High grade casb copper was only £1m up at £1,015.5 a tonne, with the market closing at the lowest for the day.

Traders said the stocks fall was in lino with expectations and bad already been discounted by the rise in prices last week.

At the same time the market was put under pressure by the failure of gold to sustain its early rise and by some American selling late in the day on forecasts of increasing U.S. interest rates.

Nevertheless underlying sentimont in the market will undoubtedly be strengthened by the substantial fall in stocks, especially as it is believed recent boying in China will reduce warehouse boldings still further in the next few weeks.

Zinc stocks were also sharply down, falling by 3,525 tonnes to 60,125 tonnes. The decline encouraged speculative buying interest in the belief that a renewed squeeze on immediately available supplies could develop again.

Cash zinc was £13 up at £639 a tonne, while the three-months quotation gained £9.75 to £645.5.

Meanwbile, sevoral other producers formally confirmed a reduction in their European list price from $1,040 to $990 a tonne—still well above the LME values.

Lead prices moved up too yesterday, in spite of warebouse stocks falling by only 225 tonnes to 65,275 tonnes. Cash lead, which gained £11.5 to £387.5 a tonne, remains at a premium over the three-months quotation and the present squeeze on spot supplies is expected to tighten further in the next month or so.

Nickel stocks wero down by 162 tonnes to 23,520 tonnes; tin by 350 tonnes to 26,475 tonnes and LME silver boldings by 10,000 ounces to 49,594,000 ounces. Lower nickel and tin prices reflectod tho firmer trend in the valuo of sterling.

Aluminium stocks were the only ones to rise, moving up by 2,250 tonnes to 144,425 tonnes.

The stocks increase reversed tho recovery in aluminium prices, staged late last week following announcements of production cuts. After opening higher, prices fell to close virtually unchanged at the lows of tha day.

John Wicks in Zurich writes: There should be an increased demaod for platinum in the long term, according to a report published by Credit Suisse.

The bank says that a shadow has been cast on the market by the difficulties of EEC countries in agreeing on joint action to reduce motor vehicle emissions and Introduce lead-free petrol.

Howevor, higher demand for platinum for catiyst use is seen as likely to arise from the probability that West Germany and Britain will folow the example of Switzerland, Austria and Scandinavia in this field.

Nearby cocoa values slip

NEARBY COCOA values slipped to four-month lows on the London futures markot yesterday as fears eased of a squeeze develeping on the expiring spot July position. July cocoa ended the day £63 down at £1,742 a tonne and September was £33 down at £1,744.50 a tonne.

Meanwbilo representatives of cocoa producing countries were meeting at the International Cocoa Organisation's Loodon headquarters to study an EEC plan to make tho International Cocoa Agreemont more effective.

The EEC wants the present buffer stock system to be backed up by market withdrawals when a new price stabilisation pact takes effect towards the end of next year.

● *DAIRY* farmers in Britain are switching to beef production in large numbers because of EEC cuts in milk production, according to the Milk Marketing Board. Figures released by the board yesterday sbow that the number of dairy breed first inseminations it carried out in April-June fell by 41 per cent to 154,810 over last year's figure, while beef breed inseminations rose by 23 per cent to 183,380.

● **PHILIPPINES** sugar production in the crop year to July 1 was 2.16m tonnes against a total output in 1982-83 of 2.45m tonnes, tho Philippino Sugar Commission said.

● **AUSTRALIAN** Whoat Board raised its 1984-85 wbeat crop forecast to more than 15m tonnes from 14.1m predicted last month after widespread rain in tho Eastern wheat bolt over the weekond.

● **TURKEY** denied a Bulgarian report that there had been an outbreak of foot-and-mouth disease on the Turkish side of their common border.

Dock strike may hit grain sales

BY A SPECIAL CORRESPONDENT

A PROLONGED British dock strike could soarl up bundreds of thousands of tonnes of UK cereal exports and pose a long-term threat to sales opportunities, according to grain broker sources.

"The strike could not bave happeoed at a worse time," said one ex-farm source. He pointed out that growers have to shift a certain amount of their crops off-farm in the next few weeks.

A record harvest of wheat and barley is expected, and export-orientated producers and their merchants can ill-afford to have grain piling up

Traders warn that even a two- or three-week strike could wreak long-term damage on sales prospects to the North Africa and Middle East markets, which account for almost 1m tonnes of barley sales and several hundred thousand tonnes of Britain's wheat exports.

One source pointed out that once lost, these "esoteric" markets were bard to recapture because of intense competition —not just from other EEC exporters but also from third country sellers including the U.S. and Canada.

The UK Intervention Board said It was allowing EEC import and export licences as well as advance fixing certificates to be extonded to offset the effects of the dock strike, Renters reports.

The board regards delays arising from the dock strike as force majeure, which allows an extension of validity.

The move will apply to licences whose validity expired on or after July 10. It does not apply to licences issued in other EEC member states,

Barley is the grain most likely to feel near-term pressure, with crop harvesting immioent and up to 200,000 tonnes estimated to have been booked for shinmont overseas in the next few weeks.

Shippers can sometimes avail themselves of flexibility clauses in their contracts for first sales of new crop, for examplo, by selling on a July/August "as available" basis.

Howevar, until the strike shows some signs of resolution, the export market must pin its hopes for a remission on the reappearance of wet weather, which may delay early harvests in the south and relieve pressure on deliveries to ports.

● Britain's wheat crop could prove embarrassingly large again in 1984-85, facing stiff competition from a bumper French harvest and large world crops of the grain.

Grain traders are predicting that wheat will again grasp a larger share of the animal feed mrket from barley and oilmeal proteins, simply because prices are bound to remain competitive.

In the season now drawing to a close, farmers fed unusually high levels of grain to animals on farm to beat the high cost of compound feeds in the wake of last year's soyabean shortage in the U.S.

Wheat also competed in compounds, taking first place from barley for tho first time. But British wheat relies beavily on exports, too, and these having fallen by somo 10 per cent this season, traders are rightly worried that shipping delays will brake the impetus of tho new sales campaign and hand the market to the French.

Indian tea output rises sharply

By John Edwards, Commodities Editor

INDIAN tea output rose sharply during the first five months of this year, according to latest figures issued by the Tea Board in Calcutta.

Production during January-May totalled 148.7m kilos, 45.5m kilos abovo the same period last year. At this rate it is expected that production for the wholo year will exceed the target of 610m kilos.

Exports are also buoyant and are keeping pace with the growth in output. The average value earned rose to $3.08 rupees a kilo against 20.5 rupees a year ago

Our Commodities Staff writes: World exports of tea rose to a record 864,499 tonnes last year, according to estimates just released by the International Tea Committee in London.

The previous peak was just over 861,000 tonnes in 1980. In 1982 the total fell to 822,656 tonnes.

● The indicative price for quality grade teas fell by 5p to 275p a kilo at the London weekly tea auctions yesterday. However, medium teas were 2p up ot 240p and low medium 6p higher at 202p.

Forecast of coffee output cut

BY RICHARD MOONEY

DROUGHT in Kenya bas caused the U.S. Department of Agriculture to reduce its forecast of world 1984-85 (October-September) coffee production.

With the dry weather seriously affecting flowering and berry development the USDA now puts Kenya's coming crop at only 1.1m bags (60 kilos each) down from 2.1m estimated for the 1983-84 season.

Tho Kenyan sotback has resulted in the USDA cutting its forecast of the world 1984-85 crop to 91.9m bags from the 92.5m it predicted a month ago, but this would still be well up from last season's estimated output of 90.3m bags.

In its World Coffee Situation Report, the USDA maintains its forecast for the Brazilian crop at 27m bags, 10 per cent down from the 1983-1984 total.

It expects production in Colombia, the world's second largest producer, to be down slightly at 12.8m bags, but the department notes that Colombia is bolding more than a year's production in stock.

World exportable production (total production less domestic consumption) for 1984-85 is put at 70.4m bags, up from 69.4m.

Total exports are expected to increase by 1.5m bags to 67.6m in 1984-85 and world stocks are projected to rise 3.2m bags to nearly 50.4m by the end of that season.

The reportnotes, bowever that the stocks total may include substantial quantities of coffee which fall sbort of exportablo quality.

● Brazilian coffe-growing areas sbould remain free of frost for tho next few days at least, according to Accu-Weather of tbo U.S., a privato forecasting organisation.

It expects night-time temperatures to remain at or above 50 degrees F.

EEC's approach to food aid criticised

BY RICHARD MOONEY

THE EEC could provide more food aid and save money by buying food for the third world on the open market rather then subsidising production within the Community, according to Agra Europe, the Brussels-based intelligence bulletin.

"There is no justification for increased agricultural output in the EEC on the grounds of providing extra food for a bungry world," it says in a report.

It is only the existence of EEC food surpluses costing 30-50 per cent more than supplies available on the world market that forces the EEC to use these surpluses for food aid, Agra Europe says.

It claims it would be much less costly to scale down the surpluses and buy elsewhere.

There is no global food shortage, according to the report. The problem is bad distribution.

"As EEC and American surpluses pilo up, the bunger problem in the developing countries increases because the money needed to move surpluses to the areas of desperato need is not forthcoming."

Agra Europe argues that current world grain production is sufficient to feed 1bn more people than now inhabit tho globe if only surpluses could be moved to areas of shortage.

"But there is a more important and longer term problem," it says, "The lack of effective policies to promote tho development and expansion of food production in the less developed countries."

The report foresees world food production keeping pace with population growth, but grain import needs in developing countries are also expected to increase.

The EEC's Role in International Food Aaid; £40; Agra Europe (London) Ltd, 16 Lonsdale Gardens, Tunbridge Wolls, Kent TN1 IPD.

Municipal bond contract endorsed

WASHINGTON — The Securities and Exchange Commission unanimously endorsed a proposal by the Chicago Board of Trade to offer futures contracts on o municipal bond index.

The Chicago board's application is awaiting approval by the Commodity Futures Trading Commission. An SEC rejection would bavo amounted to a veto under federal commodities laws.

Tho index is to be based on 50 municipal bond issues.

Reuters

PRICE CHANGES

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES were mixed on the London Metal Exchange. LEAD and ZINC rose strongly to close the late kerb at £379 and £647 respectively following renewed chartist and speculative buying interest. COPPER touched £1,040 but fell away to close at £1,031.5 in the wake of American inspired selling while the rise in sterling left forward standard TIN at £9,300.5. Currencies and the rise in stocks left ALUMINIUM at £912.5.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grde.	£	£	£	£
Cash	1012.5-9	+7.25	1016-6	+1
3 months	1037-8	+8.25	1033.5-4	+1
Settlem't	1019	+7	—	......
Cathodes				
Cash	1022-3	+6.5	1019-20	+4.5
3 months	1037-8	+5	1034.5-6.5	+1
Settlem't	1023	+6	—	......

Nickel — Morning: Three months £3,630, £25, 20. Afternoon: Three months £3,610, 11, 10, 05, 3,600, 3,590, 85, 90. Kerb: Three months £3,585, 90. Turnover: 690 tonnes.

SILVER

Silver was fixed 13.25p an ounce higher for spot delivery in the London bullion market yesterday at 574.05p. U.S. cent equivalents of the fixing levels were: spot 769.5c, up 21.5c; three-month 781.8c, up 22.5c; six-month 807.9c, up 23.4c; and 12-month 863c, up 25.5c. The metal opened at 573-576p (755-768c) and closed at 569-572p (756-759c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffial	+ or —
Spot	574.05p	+13.2	568.5e	+3
3 months	590.95p	+14.1	585.85p	+37.5
6 months	608.05p	+14.5	—	......
12 months	643.25p	+15.8	—	......

LME — (2,000 oz contract): Cash 568.5p (565.5p): three months 581.5p (579p). Turnover: 9 (6).

GOLD MARKETS

Gold rose $6¾ an ounce from Friday's close in the London bullion market yesterday to finish at $351¼-351¾. The metal opened at $347¾-348¼ which proved to be the day's low and rose to a best level of $353-354. The firmer trend reflected a slightly weaker dollar although values dipped from the day's highs after the opening of U.S. markets.

In Paris the 12½ kilo bar was fixed at FFr 98,700 per kilo ($354.51 per ounce) in the afternoon compared with FFr 98,100 ($352.33) in the morning and FFr 96,000 ($342.41) on Friday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $352.50 from $342.35.

In Frankfurt gold closed at $350-351.

In Zurich gold finished at $350½-351 from $344¼-344¾.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
July	—	—	—
Aug	352.00-52.50	+7.40	355.10-51.00
Oct	356.70-58.50	+5.75	—
Dec	365.00-66.60	+5.95	309.50
Feb.	375.10-74.10	+5.85	—
April	381.10-82.10	+5.60	—

Turnover: 433 (372) lots of 100 troy ounces.

	July 16		July 13	
Gold Bullion (fine ounce)				
Close	$351¼-351¾	(£264⅛-965)	$344½-345	(£260⅛-201)
Opening	$347¾-348¼	(£263¾-264¼)	$340-342½	(£202¾-260¼)
Morning fixing	$353.25	(£266.382)	$341.50	(£259.279)
Afternoon fixing	$350.10	(£364.520)	$345.00	(£201.067)

Gold and Platinum Coins July 16

Krugrnd	$360-360½	(£271½-671¾)	King Sov	$83½-85	(£63-64)
½ Krug.	$165-186	(£138½-140¼)	Victoria Sov	$83½-83	(£63-64)
¼ Krug.	$94¼-95¼	(£71-71¾)	French 20s	$67-76¾	(£50½-55½)

AMERICAN MARKETS

NEW YORK, July 16.

Heating oil was moderately lower as heavier output by Opec countries during the present Iraq-Iran crisis led to expectations of downward pressure on prices, reports Heinold Commodities. Precious metals rallied and declined with the currencies finishing with a minor rally on steady technical and speculative support. Copper prices were moderately lower despite a draw-down in LME stocks. New-crop months in grains and soyabeans continued under pressure, although a late rally brought the soyabeans to unchanged levels; old-crop months were sharply higher, reflecting the statistical tightness of available supplies; only wheat stayed under pressure all day, losing further on the close, from the pressure of harvest hedging. Aluminium attracted local selling in sympathy with the decline in copper values along with the build-up of LME stocks. Sugar remained under pressure on fears of distressed selling by producers. The lack of trade support along with favourable new crop prospects pressured cocoa values. Roaster purchases on expectations of a quota cut supported coffee values. Cotton showed sharp declines on the lack of fresh export demand and favourable progress for the new crop.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	53.70	—	—	54.50
August	54.00	—	—	54.80
Sept	54.60	54.85	54.50	55.40
Dec	56.25	56.15	55.80	57.05
Jan	56.85	—	—	57.65
March	58.00	—	—	58.80
May	58.15	—	—	59.95
July	60.30	—	—	61.10
Sept	61.45	—	—	62.25

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	748.8	757.0	749.9	744.7
August	752.5	—	—	748.5
Sept	760.0	720.0	757.5	756.0
Dec	783.2	784.0	781.9	779.0
Jan	791.3	—	—	787.0
March	807.9	818.0	806.0	803.2
May	825.1	833.5	828.0	820.6
July	843.1	853.0	844.9	838.6
Sept	862.6	—	—	858.1
Dec	893.3	—	—	888.8

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Late surge by dollar

The dollar closed weaker on the day against other major currencies, but was generally well above the day's lows and showed signs to another surge soon after the London close following the forecast from Dr Henry Kaufman of Salomon Brothers that "the peak in interest rates is not near, both in terms of level and when it will occur."

Earlier in the day the dollar had shown a softer tone after the more confident sentiment in U.S. credit markets on Friday. This followed economic statistics which appeared to make a tightening of U.S. monetary policy less likely at the current Federal Open Market Committee meeting.

The mood of the market began to swing back in favour of the dollar around mid-afternoon, however, on publication of a rise of $10.23bn in U.S. consumer credit in May, compared with $6.41bn in April.

At the London close the dollar had fallen to DM 2.8255 from DM 2.8305; FFr 8.6450 from FFr 8.7050; SwFr 2.3840 from SwFr 2.3990; and Y240.55 from Y241.50, but shortly after in New York had recovered to around Friday's closing levels following the statement by Dr Kaufman.

The dollar's trade-weighted index, on Bank of England figures, fell to 135.7 from 136.1.

STERLING—Trading range against the dollar in 1984 is 1.4905 to 1.3065. June average 1.3773. Trade-weighted index unchanged at 78.2, after opening at 77.8, and standing at 78.0 at noon, compared with 82.2 six months ago.

Sterling closed slightly firmer against the dollar at $1.3255-$1.3265, compared with $1.3230-$1.3240, but finished slightly weaker on balance against other major currencies. The pound's performance was reasonably encouraging however, and it advanced quite well from a weak start. In early trading it fell to a low of $1.3160, and was also very depressed against Continental currencies, but then improved steadily, partly on news that dockers leaders will hold talks with an independent arbitrator today. The pound declined on the day to DM 3.74 from DM 3.75; SwFr 3.16 from SwFr 3.18; and Y318.75 from Y319.50, but improved to FFr 11.49 from FFr 11.4875.

D-MARK — Trading range against the dollar in 1984 is 2.8480 to 2.5635. June average 2.7393. Trade weighted index 124.7 against 123.5 six months ago.

Trading was a little subdued as the dollar lost ground against the D-mark in Frankfurt yesterday. The U.S. unit was fixed at DM 2.8204 down from DM 2.8434 and the Bundesbank sold a nominal $4.40m at the fixing. A recovery from the morning's low suggested some support around DM 2.82. The market was taking the view that recent U.S. economic data points towards a continued strong economy but a steady inflation rate, so that upward pressure on interest rates may be contained.

Elsewhere sterling eased to DM 3.7310 from DM 3.7410 while the Swiss franc improved to DM 1.1840 from DM 1.1824. Within the EMS the Dutch guilder was lower at DM 88.62 compared with DM 88.655 per Fl 100.

JAPANESE YEN — Trading range against the dollar in 1984 is 242.60 to 223.10. June average 234.0. Trade weighted index 154.8 against 157.6 six months ago.

The dollar lost a little ground against the yen in Tokyo yesterday. It closed at Y241.25, down from an opening level of Y241.35 and Y241.50 in New York. On Friday in Tokyo it finished at Y241.95. Most of the day's business was confined to a narrow range with early selling encouraging some buying at the lower levels. To some extent trading was inhibited by the meeting of the U.S. Federal Open Market Committee which will decide whether to push U.S. interest rates firmer. The results of the meeting are not usually released for some time however. Elsewhere the D-mark was down from its New York close of Y85.28 but was up from Friday's close in Tokyo of Y85.15 at Y85.25.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.3031	+0.90	+0.85	±1.5447
Danish Krone ...	8.14104	8.16743	+0.32	+0.27	±1.6425
German D-Mark	2.24184	2.23317	−0.39	−0.44	±1.0642
French Franc ...	6.87456	6.85597	−0.27	−0.32	±1.4052
Dutch Guilder ...	2.52595	2.51994	−0.24	−0.29	±1.4964
Irish Punt	0.72569	0.729117	+0.47	+0.42	±1.6699
Italian Lira	1403.49	1376.03	−1.96	−1.96	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York

	July 10	Prev. close
Spot	$1.3260-3270	$1.3190-3200
1 month	0.07-0.03 pm	0.06-0.03 pm
3 months	0.05-0.07 dis	0.03-0.09 dis
12 months	1.86-2.00 dis	1.90-2.03 dis

£ forward rates in U.S. cents discount.

OTHER CURRENCIES

July 10	£	$		£ Note Rates
Argentina Peso	73.01-70.06	50.19-52.25	Austria	20.05-26.30
Australia Dollar	1.5810-1.5840	1.1950-1.1960	Belgium	72.00-75.80
Brazil Cruzeiro	2,381.40-2,386.12	1,800-1,809	Denmark	16.60-13.74
Finland Markka	7.9288-7.9481	5.9750-5.9800	France	11.41-11.02
Greek Drachma	147.184-147.955	111.40-111.90	Germany	3.71¼-3.76¾
Hong Kong Dollar	10.307-10.377	7.8185-7.8200	Italy	2280-2310
Iran Rial	118.50*	80.25*	Japan	318-322
Kuwait Dinar (KD)	0.38505-0.38575	0.29070-0.29080	Netherlands	4.19-4.23
Luxembourg Fr.	76.65-70.80	57.19-57.12	Norway	10.75-10.86
Malaysia Dollar	3.1010-3.1070	2.3385-2.3400	Portugal	191-186
New Zealand Dlr.	—	—	Spain	205-214
Saudi Arab. Riyal	4.6425-4.6470	3.5105-3.5100	Sweden	10.88-10.99
Singapore Dollar	2.8350-2.8410	2.1380-2.1390	Switzerland	3.14-3.17
Sth African Rand	1.9440-1.9507	1.4675-1.4700	United States	1.31½-1.33½
U.A.E. Dirham	4.85600-4.86615	3.6720-3.6730	Yugoslavia	188-196

* Selling rates.

CURRENCY MOVEMENTS

July 16	Bank of England Index	Morgan Guaranty Changes%
Sterling	78.2	−12.2
U.S. dollar	100.7	+23.3
Canadian dollar	97.7	−5.0
Austrian schilling	110.3	+4.4
Belgian franc	90.0	−10.2
Danish Kroner	77.9	−6.1
Deutsche mark	124.7	+7.8
Swiss franc	141.9	+8.2
Guilder	114.1	+4.3
French franc	65.2	−10.5
Lira	48.3	−19.8
Yen	154.4	+11.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.773834	0.598282
U.S. $	8	1.02386	0.782186
Canadian $	12.76	*	1.03123
Austria Sch.	4½	20.2032	10.6615
Belgian Fr	11	58.5546	45.3051
Danish Kr.	7	10.5885	8.10745
D'mark	4½	2.88709	2.23317
Guilder	5	3.25895	2.51994
French Fr.	9½	8.92616	6.85587
Lira	16½	1778.44	1370.03
Yen	5	247.811	190.362
Norwgn Kr.	8	8.30186	6.47195
Spanish Pta.	—	164.015	126.884
Swedish Kr.	9	8.46067	6.54504
Swiss Fr	4½	2.43935	1.88446
Greek Dr'ch	20½	114.324	88.3446
Irish Punt	12¾	0.942347	0.729117

* C$/SDR rate for July 13: 1.35431

THE POUND SPOT AND FORWARD

July 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3160-1.3290	1.3255-1.3265	0.08-0.04c pm	0.54	0.02-0.08dis	−0.15
Canada	1.7506-1.7630	1.7580-1.7590	0.01-0.11c dis	−0.41	0.41-0.52dis	−1.06
Nethlnd.	4.1985-4.2305	4.21½-4.22½	2⅛-2c pm	9.22	5⅞-5⅝ pm	5.33
Belgium	75.47-76.02	75.65-75.80	8-3c pm	0.86	12-4 pm	0.42
Denmark	13.62¾-13.70	13.66½-13.67½	⅛ore pm-⅛ dis	0.22	1⅛-⅜ pm	0.20
Ireland	1.2165-1.2230	1.2200-1.2210	0.03p pm-0.08dis	−0.25	0.17-0.34dis	−0.84
W. Ger.	3.7195-3.75	3.73½-3.74½	2¼-2pf pm	8.82	5⅞-5⅝ pm	0.88
Portugal	195.2-203	198¼-203	20-160c dis	−5.47	100-510 dis	−8.11
Spain	211.2-212.5	212.3-212.5	20-50c dis	−1.98	105-145 dis	−2.35
Italy	2,287-2,309	2,299-2,301	6-8lire dis	−3.65	21-26 dis	−4.00
Norway	10.75¾-10.84¾	10.82-10.83	⅛-⅞ore dis	−0.55	1½-2¼ dis	−0.69
France	11.41½-11.50½	11.48½-11.49½	1-⅛c pm	0.59	par-1⅛ dis	−0.22
Sweden	10.90½-10.99	10.94½-10.95½	1-1⅞ore dis	−1.16	3¼-3¾ dis	−1.26
Japan	317.3-318.5	318¾-319¾	1⅞-1⅝y pm	6.59	4½-4⅛ pm	5.41
Austria	26.15-26.30	26.25-26.30	13½-11⅞gro pm	5.79	35½-31½ pm	5.06
Switz.	3.14¾-3.17	3.15½-3.16½	2⅛-1⅞c pm	7.83	5⅞-5⅝ pm	6.88

Belgian rate is for convertible francs. Financial franc 76.65-76.75. Six-month forward dollar 0.91-0.66c dis. 12-month 1.85-2.00c dis.

THE DOLLAR SPOT AND FORWARD

July 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3160-1.3290	1.3260-1.3270	0.08-0.04c pm	0.54	0.02-0.08dis	−0.15
Ireland†	1.0830-1.0861	1.0854-1.0861	0.08-0.04c pm	0.66	0.25-0.10 pm	0.74
Canada	1.3260-1.3285	1.3260-1.3270	0.09-0.11c dis	−0.90	0.30-0.36dis	−0.98
Nethlnd.	3.1780-3.1860	3.1780-3.1790	1.50-1.47c pm	5.60	4.32-4.29 pm	5.41
Belgium	57.12-57.22	57.12-57.17	2c pm-par	0.21	8-5 pm	0.45
Denmark	10.28¼-10.32½	10.28¼-10.30¼	0.35ore pm-0.15dis	0.12	2.00-1.50 pm	0.68
W. Ger.	2.8140-2.8310	2.8250-2.8260	1.53-1.48pf pm	6.38	4.29-4.24 pm	6.05
Portugal	148-153	149-153	25-125c dis	−5.96	75-376 dis	−5.96
Spain	159.80-160.35	159.80-160.10	25-40c dis	−2.43	80-100 dis	−2.25
Italy	1,733-1,739	1,733-1,737	5.90-6.40lire dis	−4.26	16.25-17 dis	−3.85
Norway	8.15¾-8.18	8.15¾-8.17¾	0.50-1.00ore dis	−1.10	1.20-1.70dis	−0.71
France	8.6425-8.6830	8.6425-8.6475	0.10c pm-0.10dis	—	0.20-0.70dis	−0.21
Sweden	8.25-8.27	8.25-8.27	1.05-1.55ore dis	−1.88	2.25-2.75dis	−1.21
Japan	240.15-241.10	240.50-240.60	1.18-1.14y pm	5.79	3.34-3.29 pm	5.51
Austria	19.740-19.809	19.74-19.79	8.90-8.40g pm	5.25	25½-23½ pm	4.95
Switz.	2.3775-2.3950	2.3835-2.3845	1.49-1.45c pm	7.42	4.29-4.25 pm	7.18

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 57.32-57.87.

EXCHANGE CROSS RATES

July 16	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.326	3.740	318.8	11.48	3.160	4.220	2300.	1.759	75.73
U.S. Dollar	0.754	1.	2.821	240.4	8.066	2.383	3.183	1735.	1.326	57.11
Deutschemark	0.267	0.355	1.	85.23	3.072	0.846	1.128	615.0	0.470	20.25
Japanese Yen 1,000	0.137	4.160	11.73	1000.	36.05	9.814	13.24	7210.	5.517	237.8
French Franc 10	0.870	1.154	3.255	277.4	10.	2.750	3.673	2002	1.530	65.91
Swiss Franc	0.318	0.420	1.184	100.2	3.630	1.	1.335	727.8	0.556	23.96
Dutch Guilder	0.237	0.314	0.886	75.03	2.723	0.748	1.	545.0	0.417	17.94
Italian Lira 1,000	0.435	0.077	1.026	138.8	4.996	1.374	1.835	1000	0.765	32.92
Canadian Dollar	0.569	0.754	2.127	181.3	6.334	1.787	2.400	1308.	1.	43.06
Belgian Franc 100	1.321	1.701	4.938	420.8	10.17	4.170	6.073	3037.	2.388	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	12⅛-12⅝	11⅝-11½	11¼-11¾	6¼-6⅜	2⅞-3⅛	6¼-6⅜	11½-11⅝	15-16	11¼-11¾	11¼-11¾	6-6⅛	11⅞-12⅜
7 days' notice	12⅛-12⅜	11 7/16-11 9/16	11⅛-12	6¼-6⅜	3-3¼	5 15/16-6 1/16	11⅜-11⅝	15⅝-16⅝	11¼-11¾	11½-11¾	6-6⅛	11½-12
Month	12⅛-12¼	11 7/16-11 9/16	12⅛-12⅜	6 1/16-6 3/16	4⅛-4⅜	6⅛-6¼	11⅝-11⅝	13⅝-16⅛	11¼-11¾	11½-11¾	6 1/16-6 3/16	11½-12
Three months	12 3/16-12 5/16	11⅞-12	12 1/16-12 5/16	6 1/16-6 3/16	4⅝-4¾	6 5/16-6 7/16	11 15/16-12 1/16	10-10½	11⅝-11⅞	11⅝-11⅞	6¼-6⅜	11⅝-11⅞
Six months	11 15/16-11 15/16	12⅛-12⅝	13 1/16-13⅝	6⅝-6¾	4¾-4⅞	6¼-6⅜	12⅛-13⅛	16½-10⅛	11½-12	11¾-12	6⅜-6½	11¾-12¼
One year	11 15/16-11 15/16	13 1/16-13⅝	13 11/16-13⅛	6 11/16-7 1/16	4⅛-6	6 11/16-6¾	13¾-14	17⅛-17⅝	12⅜-12⅞	12-12¼	6½-6⅝	16-12½

Asian $ (closing rates in Singapore): Short-term 11-11⅛ per cent; seven days' 11¼-11⅜ per cent; one month 11½-11⅝ per cent; three months 11⅞-12 per cent; six months 12⅜-12½ per cent; one year 13⅛-13⅜ per cent. Long-term Eurodollar: two years 13⅝-14 per cent; three years 13⅝-13⅞ per cent; four years 14-14¼ per cent; five years 14-14¼ per cent nominal closing rate. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Eurodollars ease

Euro-dollar prices were a little weaker in the London International Financial Futures Exchange yesterday but finished above the day's lows. Both Eurodollars and the bond contract opened firmer, reacting to a late rally in New York on Friday. Trading was confined to a fairly narrow range in the morning but values started to slip in the afternoon as Fed funds opened at 11½ per cent. Consequently both sectors saw the day's lows but these only encouraged renewed buying.

Most economic statistics were released too late to affect trading but a lower than expected rise in U.S. business inventories was published early enough to encourage further buying although the bond sector closed without reflecting the full benefit.

The September Euro-dollar contract opened at 87.88 up from 87.88 and touched a best level of 87.89 before slipping in the afternoon to a low of 87.76. It closed at 87.83. Similarly the September bond opened at 63-09 and fell to 62-25 before recovering to finish at 63-02 compared with 63-10 on Friday.

Other sectors were less active with gilt futures showing little enthusiasm as the market contemplated the effects of a possible stepping up of the UK Government's reaction to current industrial disruption by dockers and mine workers.

Short sterling and FT-SE contracts were similarly affected although news that the dockers were entering arbitration talks with the employers improved sentiment.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	87.83	87.89	87.76	87.86
Dec	87.19	87.22	87.14	87.24
March	86.82	86.85	86.75	86.86
June	86.53	86.57	86.55	86.59
Sept	86.31	—	—	86.37

Est volume 4,394 (2,706)
Previous day's open int 13,162 (13,319)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Sept	88.86	89.00	88.85	88.87
Dec	88.99	88.99	88.85	89.00
March*	88.76	88.80	88.70	88.85
June*	88.65	—	—	88.77

Est volume 1,110 (2,774)
Previous day's open int 2,023 (—)
*£500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	100-12	100-13	99-27	99-31
Dec	99-21	99-17	99-13	99-04
March	99-01	—	—	98-16
June	98-16	98-16	98-01	98-07
Sept	101-10	—	—	100-20

Est volume 3,961 (3,275)
Previous day's open int 6,319 (6,727)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) 8 to 20 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3275	1.3280	1.3180	1.3190
Dec	1.3317	1.3317	1.3260	1.3230
March	1.3380	—	—	1.3290

Est volume 209 (2,794)
Previous day's open int 2,307 (2,897)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3578	0.3580	0.3570	0.3556
Dec	0.3634	—	—	0.3612

Est volume 171 (33)
Previous day's open int 346 (340)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4247	—	—	0.4207
Dec	0.4329	—	—	0.4289

Est volume 0 (2)
Previous day's open int 2,294 (2,294)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	100.00	100.45	99.00	99.45
Dec	100.20	100.55	100.20	99.45
March	100.30	—	—	99.65

Est volume 821 (1,233)
Previous day's open int 1,026 (1,057)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4194	—	—	0.4172
Dec	0.4253	—	—	0.4238

Est volume 0 (0)
Previous day's open int 224 (224)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	63-02	63-12	62-25	63-10
Dec	62-12	—	—	62-22
March	61-30	—	—	62-08

Est volume 954 (1,320)
Previous day's open int 1,119 (1,298)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	63-12	63-14	62-23	62-31
Dec	62-26	62-29	62-06	62-13
March	62-12	62-14	61-25	62-00
June	62-03	62-03	61-17	61-22
Sept	61-28	61-28	61-10	61-13
Dec	61-21	61-21	61-04	61-09
March	—	—	—	61-04
June	—	—	—	61-00

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	89.40	89.41	89.32	89.40
Dec	88.72	88.72	88.64	88.68
March	88.25	88.25	88.16	88.21
June	87.92	87.92	87.85	87.89
Sept	87.68	87.68	87.62	87.65
Dec	87.50	87.50	87.42	87.48
March	87.34	87.37	87.32	87.35
June	87.21	87.21	—	87.18

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	88.00	88.02	87.91	88.03
Dec	87.33	87.34	87.24	87.34
March	86.94	86.95	86.88	86.94
June	—	86.64	86.60	86.64

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	87.56	87.57	87.46	87.56
Dec	86.87	86.88	86.78	86.87
March	86.48	86.49	86.41	86.47
June	86.18	86.19	86.14	86.18
Sept	—	—	—	—
Dec	—	85.78	85.78	85.79

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.4285	1.3295	1.3215	1.3225
Dec	1.3340	1.3350	1.3275	1.3270
March	1.3410	1.3410	1.3340	1.3326
June	1.3450	1.3450	1.3380	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	66-02	66-05	65-23	65-30
Dec	64-30	64-31	64-19	64-26
March	64-00	64-00	64-00	63-29
June	—	—	—	63-05
Sept	—	—	—	62-20
Dec	—	—	—	62-07
March	—	—	—	—
June	—	—	—	61-21

MONEY MARKETS

London rates slightly easier

Interest rates had a slightly softer tone on the London money market yesterday as sterling improved after a weak start. This was largely in response to the better performance by U.S. credit markets on the latest economic statistics, but also on tentative hopes that the UK dock strike may be settled quickly. Three-month interbank eased to 11¾ per cent from 12⅛ per cent, but there was little change in the rates on eligible bills quoted by the discount houses. Buying rates for three-month bank bills were 11 13/16-11¾ per cent, compared with 11 13/16-11⅝ per cent.

The Bank of England forecast a money market shortage of £450m, and provided total help of £487m, mainly by way of bill purchases to be resold to the market later this week. Before lunch the authorities bought £122m bills outright by way of £58m bank bills in band 1 (up to 14 days' maturity) at 12 per cent; £57m bank bills in band 2 (15-33 days) at 11⅞ per cent; £6m bank bills in band 3 (34-63 days) at 11⅞ per cent; and £1m bank bills in band 4 (64-91 days) at 11¾ per cent. Another £315m bills were purchased at a rate of 12 per cent, to be resold to the market on July 20.

There were no further bill purchases during the afternoon, but the Bank of England also provided late assistance of around £50m.

Major factors against the market were: bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills from last Friday's tender draining £432m; the unwinding of bill repurchase agreements absorbing £214m; and bank balances below target absorbing another £85m. Exchequer transactions were flat, but the shortage was partly offset by a fall in the note circulation of £280m.

In Paris the Bank of France intervened in the money market to buy paper from today at an unchanged rate of 11¼ per cent. Market rates were firmer yesterday, with call money at 12½ per cent, compared with 11 per cent on Friday.

MONEY RATES

July 16	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.30-5.60	12½	2⅛-3⅛	6⅛-6¼	6.03125	10¼-16⅝	10.80	11¾-12
One month	5.75-6.90	11⅛ 11⅝	4⅝-4¾	6 1/16-6 3/16	0.13625	16¼-16⅝	11½-11¾	16⅝-12⅝
Two months	6.90-6.05	11 7/16-11 11/16	—	—	—	—	—	12¾-13
Three months	6.00-6.10	11⅝-11¾	4 7/16-4 11/16	6½-6⅝	0.54375	16⅝-17	11⅝-11⅞	12⅞-13⅛
Six months	6.30-6.46	11 15/16-12 1/16	—	6 7/16-6 11/16	—	—	11¾-12	13⅝-13⅝
Lombard	0.6	—	—	—	—	—	—	—
Intervention	—	11¼	—	5¾	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

July 16 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11-19	12¼-12⅜	12¼-19½	11-12¼	—	—	—	—	—
2 days notice	—	—	12-12⅛	—	—	—	—	—	—	—
7 days or 7 days notice	—	12 12⅝	12⅛	12⅝-16⅝	11¾-11⅞	—	—	—	—	—
One month	12¼-12⅝	12 3/16-12 5/16	12⅛	12⅝	11¾-11⅞	11⅞-11⅞	11 13/16-11 11/16	11⅞-11⅞	11 13/16-11 13/16	12⅜
Two months	12 1/16-11 15/16	11 15/16-12⅛	12	12¼	11½	11¾	11 13/16-11 13/16	11¾	11 13/16-11 13/16	12⅝
Three months	11 15/16-11 13/16	11¾ 12	11⅞	12⅛	11⅝-11½	11 13/16-11⅝	11½-11 13/16	11 13/16-11⅝	11½-11 13/16	12¼
Six months	11⅝-11⅝	11⅝-11⅞	11¾	—	—	—	—	11 1/16	10⅞-11	11 1/16
Nine months	11 11/16 11 11/16	11⅝-11⅞	—	—	—	—	—	—	—	—
One year	11 11/16-11¼	11⅝ 11⅞	11⅝	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅝-12¼	—	12⅛	11.4-11.5	9 7/16-9 11/16	9¼-9½
Two months	12½-12¼	—	12	11.5-11.6	9⅞-10⅛	9⅝-9¾
Three months	12⅜-12	—	11⅞	11.6-11.7	10-10¼	9 7/16-9⅝
Six months	12-11⅝	—	11¾	12.3-12.4	10½-10¾	9 11/16-10⅛
Nine months	12¼-11⅞	—	11¾	12.4-12.6	—	—
One year	12-11⅝	—	11¾	12.9-13.1	11-11¼	10 7/16-10½
Two years	—	12¼	—	—	—	—
Three years	—	12½	—	—	—	—
Four years	—	12⅝	—	—	—	—
Five years	—	12¾	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period June 6 to July 3 1984 (inclusive): 9.486 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9½ per cent from July 1 1984. London and Scottish Clearing Bank Rates for lending 12 per cent. London Deposit Rate for sums at seven days' notice 8¾-9 per cent. Treasury Bills: Average tender rate of discount 11.3968 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 12⅛ per cent; one-three months 12⅛ per cent; three-six months 12⅛ per cent; six-nine months 12⅛ per cent; nine-12 months 12⅛ per cent. Under £100,000 11 per cent from July 10. Deposits held under Series 4-5 12⅛ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	13
Broker loan rate	12¾-12½
Fed funds	11¼
Fed funds at intervention	11¼

Treasury Bills

One month	6.37
Two month	6.67
Three month	6.96
Six month	10.46
One year	10.64

Treasury Bonds

Two year	100½
Three year	88 17/32
Four year	101 23/32
Five year	102 2/32
Seven year	102 5/32
10 year	99 7/32
30 year	101½

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. July 16)

Three months U.S. dollars

bid 11 7/8	offer 12

Six months U.S. dollars

bid 12 7/16	offer 12 9/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 16, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	9.64
Algeria	Dinar	(A) 6.57
Andorra	French Franc	11.49
	Spanish Peseta	212.4
Angola	Kwanza	(CM) 43.7623
Antigua	E. Caribbean $	3.58
Argentina	New Peso	73.035
Australia	Australian $	1.5825
Austria	Schilling	26.275
Azores	Portugu'se Escudo	199.020
Bahamas	Ba. Dollar	1.3260
Bahrain	Dinar	0.4970
Balearic Isles	Spa. Peseta	212.4
Bangladesh	Taka	33.16
Barbados	Barbados $	2.652
Belgium	B. Franc	(cm) 75.765
		(fn) 76.70
Belize	B.$	2.652
Benin	C.F.A. Franc	574.5
Bermuda	Bda $	1.3260
Bhutan	Indian Rupee	14.08
Bolivia	Bolivian Peso	(D) 2,652.0
Botswana	Pula	1.76
Brazil	Cruzeiro ‡‡	2,388.20
Brit. Virgin Isles	U.S. $	1.3260
Brunei	Brunei $	2.8390
Bulgaria	Lev	1.3846
Burma	Kyat	11.23
Burundi	Burundi Franc	180.16
Cameroon	C.F.A. Franc	574.5
Canada	Canadian $	1.7595
Canary Islands	Spanish Peseta	212.4
Cape Verde Is.	Cape V. Escudo	108.96
Cayman Islands	Cay. Is. $	1.105
Cent. Afr. Republic	C.F.A. Franc	574.5
Chad	C.F.A. Franc	574.5
Chile	Chilean Peso	121.03
China	Renminbi Yuan	3.1020
Colombia	Col. Peso	(F) 154.16
Comoro Islands	C.F.A. Franc	574.5
Congo (Brazzaville)	C.F.A. Franc	574.5
Costa Rica	Colon	(U) 57.03
Cuba	Cuban Peso	1.1015
Cyprus	Cyprus £	0.7710
Czechoslovakia	Koruna	(com) 8.30 / (nc) 16.15 / (T) 15.50
Denmark	Danish Kroner	13.67
Djibouti	Djibouti Franc	223 (sg)
Dominica	E. Caribbean $	3.58
Dominican Republic	Dominican Peso	(U) 1.3260
Ecuador	Sucre	(O) 85.29 / (F) 117.79
Egypt	Egyptian £	(o) 1.0920 / (U) 1.5840 (B)
El Salvador	Colon	3.3153
Equatorial Guinea	Ekuele	424.8
Ethiopia	Ethiopian Birr	(o) 2.7000
Falkland Islands	Falkland Is. £	1.0
Faroe Islands	Danish Kroner	13.67
Fiji Islands	Fiji $	1.4406
Finland	Markka	7.93840
France	French Franc	11.49
French Cty in Af.	C.F.A. Franc	574.5
French Guiana	Local Franc	11.49
French Pacific Is.	C.F.P. Franc	208 (sg)
Gabon	C.F.A. Franc	574.5
Gambia	Dalasi	5.00
Germany (East)	Ostmark	3.74
Germany (West)	Deutsche Mark	3.74
Ghana	Cedi	46.1230
Gibraltar	Gibraltar £	1.0
Greece	Drachma	147.56

COUNTRY	CURRENCY	VALUE OF £ STERLING
Greenland	Danish Kroner	13.67
Grenada	E. Caribbean $	3.58
Guadaloupe	Local Franc	11.49
Guam	U.S. $	1.3260
Guatemala	Quetzal	1.3260
Guinea	Syli	32.05
Guinea-Bissau	Peso	109.20
Guyana	Guyanese $	4.94
Haiti	Gourde	0.63
Honduras	Lempira	2.66
Hong Kong	H.K. $	10.31
Hungary	Forint	64.86‡‡
Iceland	I. Krona	40.2150
India	Ind. Rupee	14.90
Indonesia	Rupiah	1,362.0
Iran	Rial	119.60 (sg)
Iraq	Iraqi Dinar	0.4119
Irish Republic	Irish £	1.2205
Israel	Shekel	336.0
Italy	Lira	2,300
Ivory Coast	C.F.A. Franc	574.5
Jamaica	Jamaica Dollar	4.5565
Japan	Yen	318.75
Jordan	Jordanian Dinar	0.506
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	19.1750
Kiribati	Australian $	1.5825
Korea (Nth)	Won	1.3603
Korea (Sth)	Won	1,067.26
Kuwait	Kuwait Dinar	0.3854
Laos	New Kip	48.41
Lebanon	Lebanese £	7.7480
Lesotho	Maloti	1.9478
Liberia	Liberian $	1.3260
Libya	Libyan Dinar	0.3935
Liechtenstein	Swiss Franc	3.16
Luxembourg	Lux Franc	75.765
Macao	Pataca	10.79
Madeira	Portug'se Escudo	199.620
Malagasy Republic	MG Franc	707.50
Malawi	Kwacha	1.8530
Malaysia	Ringgit	3.1040
Maldive Islands	Rufiyaa	9.50
Mali Republic	Mali Franc	1,149
Malta	Maltese £	0.6060
Martinique	Local Franc	11.49
Mauritania	Ouguiya	71.4
Mauritius	M. Rupee	18.0250
Mexico	Mexican Peso	(F) 260.61 / (c) 225.58
Miquelon	Local Franc	11.49
Monaco	French Franc	11.49
Mongolia	Tugrik	4.75
Montserrat	E. Caribbean $	3.58
Morocco	Dirham	11.50 (sg)
Mozambique	Metical	(A) 50.20
Namibia	S.A. Rand	1.9478
Nauru Island	Australian $	1.5825
Nepal	Nepalese Rupee	21.33
Netherlands	Guilder	4.22
Netherland Antilles	Antillian Guilder	2.3735
New Zealand	N.Z. Dollar	2.7375
Nicaragua	Cordoba	13.235
Niger Republic	C.F.A. Franc	574.5
Nigeria	Naira	1.001403 (sg)
Norway	Norwegian Krone	10.825
Oman Sul'ate of	Rial Omani	0.4560
Pakistan	Pakistan Rupee	18.55
Panama	Balboa	1.3260
Papua N. Guinea	Kina	1.1570
Paraguay	Guarani	(o) 317.64 / 080.09 / (420.75)

COUNTRY	CURRENCY	VALUE OF £ STERLING
Peru	Sol	exe(A) 4,057.27
Philippines	Philippine Peso	23.30
Pitcairn Islands	£ Sterling	—
	New Zealand £	N/A
Poland	Zloty	147.40
Portugal	Portugu'se Escudo	199.825
Puerto Rico	U.S. $	1.3260
Qatar	Qatari Ryal	4.8010
Reunion Island	French Franc	11.49
Romania	Leu	(Cm) 0.60 / (N/C) 19.42
Rwanda	Rwanda Franc	136.63
St. Christopher	E. Caribbean $	0.58
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean	3.58
St. Pierre	Local Franc	11.49
St. Vincent	E. Caribbean $	3.59
Salvador El	(See El Salvador)	
Samoa American	U.S. $	1.3260
San Marino	Italian Lira	2,300
Sao Tome & Prin	Dobra	58.77
Saudi Arabia	Saudi Ryal	4.64476
Senegal	C.F.A. Franc	574.6
Seychelles	S. Rupee	0.18 (sg)
Sierra Leone	Leone	(O) 3.30
Singapore	Singapore $	2.8380
Solomon Islands	Solomon Is. $	1.7105
Somali Republic	Somali Shilling	80.28
South Africa	Rand	1.9478
Spain	Peseta	212.4
Spanish ports in North Africa	Peseta	212.4
Sri Lanka	S. Rupee	33.89
Sudan Republic	Sudan £	1.7445
Surinam	S. Guilder	2.3835
Swaziland	Lilangeni	1.9478
Sweden	S. Krona	10.95
Switzerland	Swiss Franc	3.16
Syria	Syrian £	(A) 17.10
Taiwan	New Taiwan $	52.29
Tanzania	Tan. Shilling	22.2800
Thailand	Baht	30.4950
Togo Republic	C.F.A. Franc	574.5
Tonga Islands	Pa'anga	1.5825
Trinidad	Trinidad & Tob $	3.1834
Tunisia	Tunisian Dinar	0.9989 (sg)
Turkey	Turkish Lira	488.54
Turks & Caicos	U.S. $	1.3260
Tuvalu	Australian $	1.5825
Uganda	Uganda Shilling	492.5
United States	U.S. Dollar	1.3260
Uruguay	Uruguay Peso	72.63
U.A.E.	U.A.E. Dirham	4.85075
U.S.S.R.	Rouble	1.0956
Upper Volta	C.F.A. Franc	574.5
Vanuatu	Vatu	130.50
Vatican	Italian Lire	2,300
Venezuela	Bolivar	(4) 9.90 / (5) 16.93 / (6) 17.07 / (O) 15.48
Vietnam	Dong	13.2600
Virgin Islands U.S.	U.S. Dollar	1.3260
Western Samoa	Samoan Tala	(A) 2.31
Yemen (Nth)	Ryal	9.41 (sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.4535
Yugoslavia	New Y Dinar	189.7797
Zaire Republic	Zaire	48.0864
Zambia	Kwacha	2.35
Zimbabwe	Zimbabwe $	1.0630

* Rate is the transfer market (controlled). ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (B) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad. (6) Banknote rate. (10) Rate for exports. (11) Parallel rate. (12) Rate for imports.

Company Notices

Educational

Art Galleries

Clubs

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 16.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price change: On day +0¼ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Denmark taps market for $100m bond

BY MAGGIE URRY IN LONDON

DENMARK again tapped the Eurodollar market yesterday, though on a smaller scale than the $600m perpetual floater launched last week. This time $100m was raised, using the same warrants formula, and lead manager, Morgan Stanley, that Creditanstalt Bankverein adopted on Thursday.

Thanks to the strong performance of the New York market on Friday, Denmark's coupon, both on the four-year bond and the seven year bond into which the warrants can be exercised, is 13¼ per cent, compared with Creditanstalt's 14 per cent. The package was priced at *103½ (Creditanstalt's was 102)*, with total fees 1¾ per cent.

Denmark's is not the best of names, and the package traded at a discount around its fees. Traders reported more interest in the bonds, stripped of the warrants, than in Creditanstalt's, and they traded around 98¼. The warrants held the 25 level.

The Eurodollar secondary market was again quiet, though cheered by the firmer showing in New York last Friday. Prices rose by ⅛ to ¼ point.

Statewide Australia – the first Australian building society to come to the Eurobond market – raised A$24m through a 13⅛ per cent *three-year note with a Bank of Tokyo guarantee.*

BHF Bank bond average		
July 16 98.907		Previous 98.864
High 100.009	1984	Low 98.056

Priced at par by Samuel Montagu, the issue is destined largely for the retail investor, and did not trade in the grey market. Co-leads are Banque Bruxelles Lambert and Banque Nationale de Paris.

The European Investment Bank launched a 10-year DM 200m bond *with a coupon of 8½ per cent. Priced* at par by Deutsche Bank, traders reported it changing hands at around a 1¼ point discount.

Seasoned D-Mark bonds were unchanged in low turnover. Dealers are waiting for more positive signs from New York.

The Government of Japan has guaranteed a SwFr 100m public issue from the Ex-Im Bank of Japan. With an eight year life, UBS expect the bond to yield a lowish 5⅝ per cent when priced on July 19. The World Bank's SwFr 200m 10-year issue was priced to yield 6⅛ per cent by SBC, against an indication of 6¼ per cent.

In the secondary market, Swiss *franc bonds were up to ⅛ point better, where changed.*

Greek utility set to borrow $200m

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

GREECE'S state-owned Public Power Corporation is to raise a $200m, seven-year credit in the Euromarkets through a group of banks led by Bank of Tokyo, Banque Nationale de Paris and First Chicago.

News of the mandate follows several weeks of speculation that the Public Power Corporation would seek to drive through a deal on finer terms than those recently awarded to the Bank of Greece. In fact it is to pay the same ⅝ per cent margin for its deal, which also has the same maturity.

The three lead banks, which have each underwritten $20m, are now seeking other lead managers willing to underwrite $15m apiece. Because Bank of Tokyo will be agent for the credit, Japanese banks will be entitled to subscribe up to half the total amount under Ministry of Finance regulations. That should help syndication.

Public Power Corporation is asking for the funds to be made available in a mixture of dollars, sterling and Ecus

Other conditions include a four-year grace period before repayments start, a commitment fee of ¼ per cent and total front-end fees of ⅜ per cent including 15 basis points for underwriters.

● Norway's state-owned oil company Statoil is raising $100m through a three-year Euronote facility designed to refinance existing debt.

The deal, led by Salomon Brothers, will involve the sale of one, three or six-month notes through a tender panel for which Bergen Bank will act as agent.

The notes will bear interest at the London Interbank Bid Rate for Eurodollars, which is normally ⅛ percentage point less than the conventional Libor. The deal, for which Chase Manhattan will be overall agent, will be underwritten by a group of banks for a margin of ⅛ per cent.

OVER-THE-COUNTER

Continued from Page 30

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					